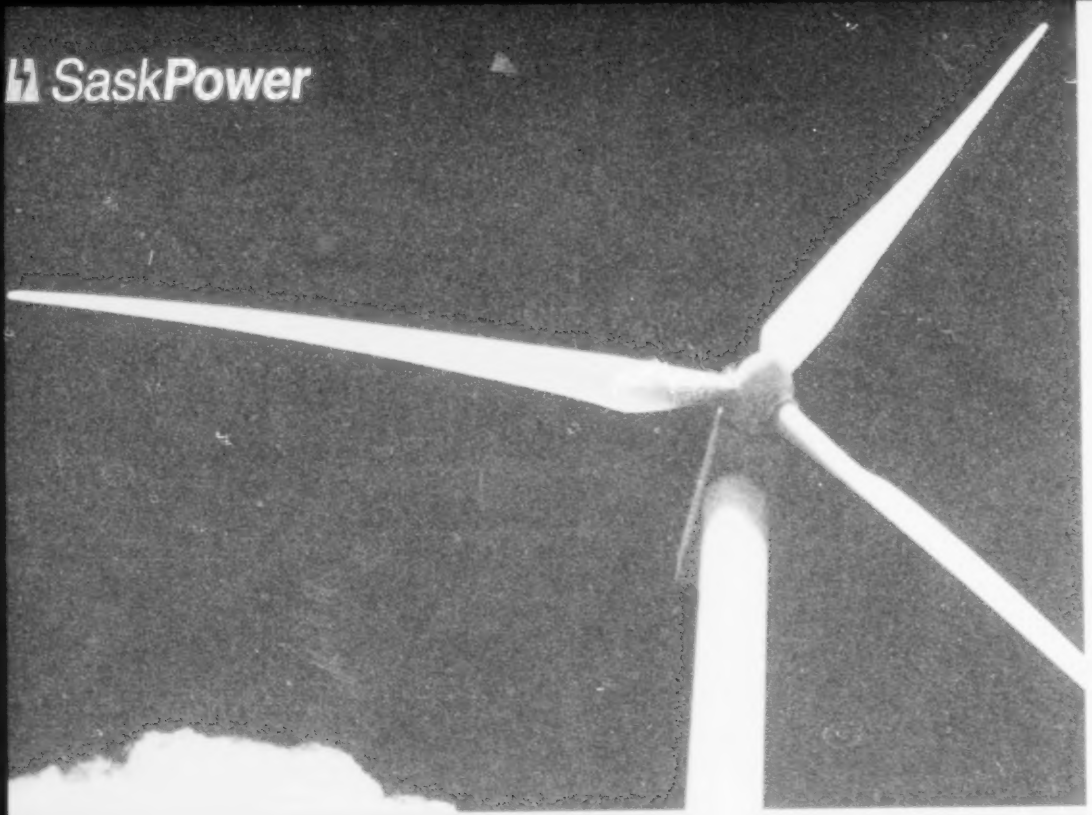
SaskPower



2002 Annual Report

Homegrown Power

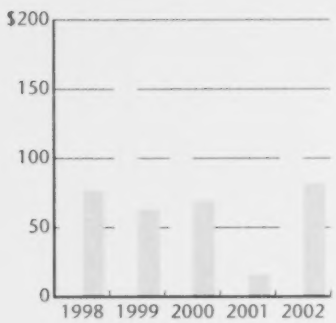
Consolidated Financial Results — Profit Picture Rebounds Strongly

(in millions)

	2002	2001	Change
Revenue			
Electric sales			
Saskatchewan	**$1,058**	$ 994	$ 64
Export	**43**	109	(66)
Other	**23**	23	–
Total revenue	**1,124**	1,126	(2)
Expense			
Fuel and purchased power	**366**	468	(102)
Operating, maintenance and administration	**286**	254	32
Depreciation and taxes	**204**	194	10
Finance charges	**141**	181	(40)
Total expense	**997**	1,097	(100)
Net income	**$ 127**	$ 29	$ 98

Summary of Net Income and Dividends to Holding Company

(in millions)



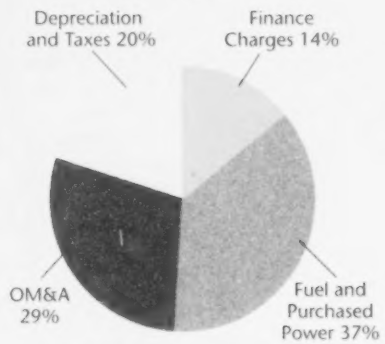
Left: SaskPower recovered from a financially challenging 2001 to record a net income of $127 million and declare $82 million in dividends in 2002.

Right: Fuel and purchased power is the single largest driver of SaskPower expense.

Net Income

Dividend to Holding Company

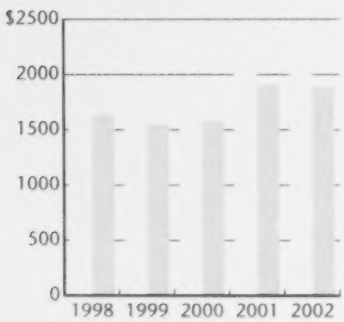
2002 Expense



Total Expense: $997 million

Debt Outstanding

at December 31 (in millions)



Left: SaskPower's debt has increased in recent years to fund major capital expenditures including the Queen Elizabeth Repowering Project and the Cory Cogeneration Project.

Right: Saskatchewan electrical sales make up the majority of SaskPower's revenue.

Gross Debt

Net Debt

2002 Revenue

Total Revenue: $1,124 million

103-04268/

Financial and Operating Highlights

From a financial and operating perspective, 2002 was a strong year for SaskPower. We continued to provide safe, reliable, cost-effective electricity and, at the same time, invested in our future.

Domestic sales increased slightly from 2001, but our export sales declined due to softening market conditions. Expense also declined from 2001 primarily due to increased hydroelectric generation – which reduced our reliance on higher cost supply sources – and lower natural gas prices.

SaskPower's 2002 capital investments were primarily directed to expand capacity and enhance reliability as we serve our customers province-wide. Much of our infrastructure was built from the 1950s through the 1970s and, as it ages, it requires additional maintenance and ultimately replacement. We also continued to invest in environmentally progressive forms of electrical generation, including wind.

Our subsidiaries are helping us grow through new business opportunities in the areas of energy trading and cogeneration joint ventures. Our strong balance sheet positions us well to work through environmental and other challenges as we pursue our vision to excel in competitive energy markets.

Electricity Sold – Load Growth Moderates

(GW.h)

	2002	2001	Change
Saskatchewan sales	**15,998**	15,954	44
Exports	**777**	945	(168)
Total sales	**16,775**	16,899	(124)

Financial Indicators – Solid Performance

(in millions)

	2002	2001	Change
Net income	**$ 127**	$ 29	$ 98
Dividends	**$ 82**	$ 16	$ 66
Capital spending	**$ 305**	$ 364	$ (59)
Net debt	**$ 1,886**	$ 1,911	$ (25)
Return on equity [1]	**10.9%**	2.6%	8.3%
Debt ratio [2]	**60.2%**	60.0%	0.2%

1. Return on equity = (net income)/(average equity), where average equity = ((total equity at year end + total equity at previous year end)/2).

2. Debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt – cash and short-term investments).

Our vision: Excelling in competitive energy markets.

We provide value-added electrical energy and related services. We achieve this through employee innovation, a competitive spirit and pursuing opportunity for our customers and shareholders.

Our values: We are committed to the principles of respect, integrity and openness in our relationships with our employees, customers and others. We value a safe and healthy workplace, clear and open communication, the diversity of our workforce, continuous learning by our employees, innovative thinking and solutions, public safety, the environment and community relationships.

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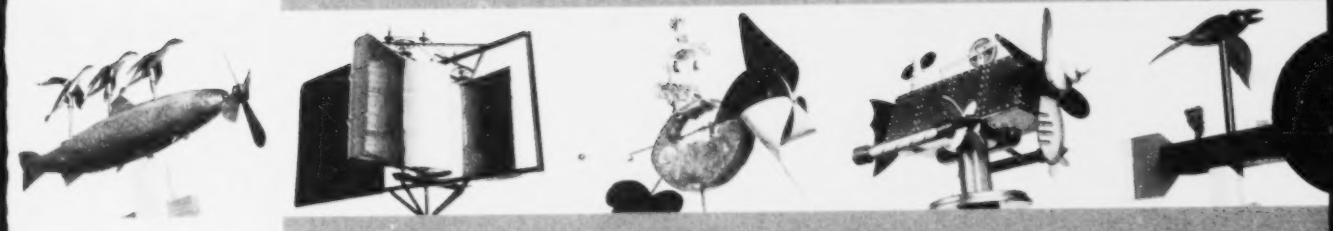


Homegrown Power

For more than 70 years, SaskPower has played an integral role in the social and economic development of our province and its residents. We've reached higher to provide our customers with service and values that have grown out of solutions that are uniquely Saskatchewan.

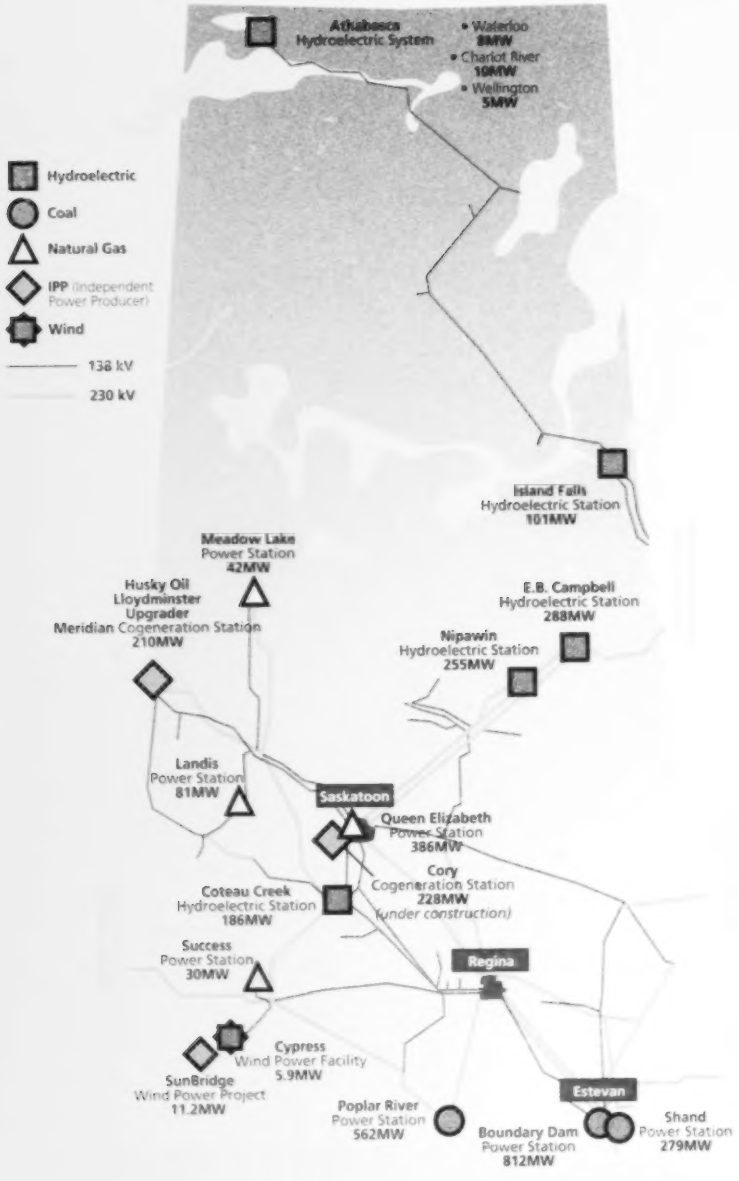
From the beginnings of rural electrification to the emergence of a competitive marketplace, SaskPower is part of a generations-long story that is characterized by commitment, innovation and success. Within this context, the SaskPower Annual Report addresses the challenges and accomplishments of the past year, while also establishing our corporation's vision for the future.

In 2002, SaskPower introduced GreenPower, electricity that is produced with low environmental impact from renewable resources right here in Saskatchewan. Two wind power installations near Gull Lake are now generating enough GreenPower from their 26 turbines to supply more than 7,000 homes.

For this report, we've invited local artists to help us celebrate the introduction of GreenPower by creating whirligigs. We hope you'll enjoy this lighthearted look at the wind, a renewable energy source proving that when it comes to Homegrown Power, the sky's the limit.

SaskPower Generation and High Voltage Transmission Map 1

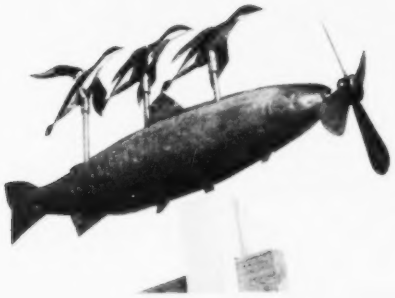
(As at December 31, 2002)



SaskPower is the principal supplier of electricity in Saskatchewan. Founded as the Saskatchewan Power Commission in 1929, our mandate is to deliver safe, reliable, cost-effective power to the residents of Saskatchewan. SaskPower was created as a provincial Crown corporation in 1950 and is governed by the province's *Power Corporation Act*.

SaskPower operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and nine wind turbines (Cypress) with aggregate generating capacity of 3,051 megawatts (MW), and has 221 MW of contracted capacity (Meridian and SunBridge). SaskPower maintains more than 152,000 kilometres of power lines.

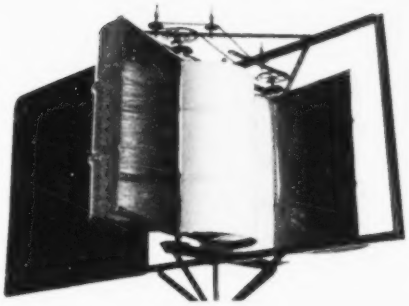
SaskPower's 2,350 permanent full-time employees work in three business units (Power Production; Transmission and Distribution; and Customer Services), five corporate groups (Corporate and Financial Services; Corporate Information and Technology; Human Resources; Planning, Environment and Regulatory Affairs; and the President's Office) and three subsidiaries (NorthPoint Energy Solutions Inc.; Power Greenhouses Inc.; and SaskPower International Inc.).



"Untitled"

Dave wanted to convey through his art, the power of Saskatchewan's native habitat and its interest in wild energy.

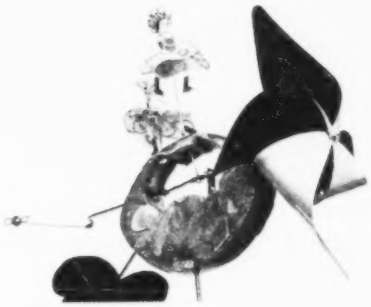
Artist: Dave Kuruluk, Saskatoon



"Three Barrel Whirligig"

Jim's artwork features the machines which run the farm. Three barrels on the wind vane twirl, one at a time, to catch the grain as it is augered down.

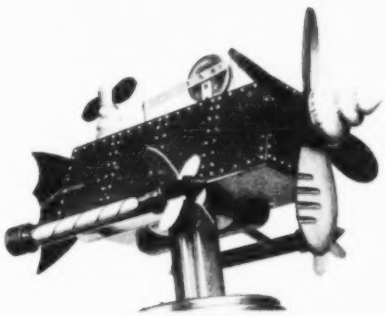
Artist: Jim Jessop, West Bend



"Two Plows Quit Take a Mouse to the Movie"

Seeing two mouse caught in a Marion Mouse wheel, Heather was aware of the mice that the mother might be carried all the way to the moon.

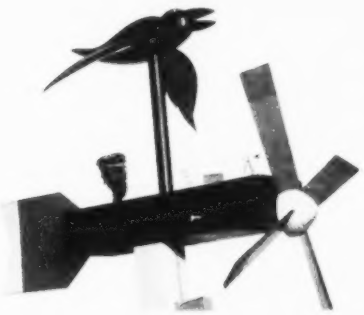
Artist: Heather Grove, Saskatoon



"A Salute to Saskatchewan Industry"

With the intent of naming the many Saskatchewan industries, Arthur created a free machine with Rube Goldberg and George Orwell influences.

Artist: Arthur Perlett, Lumsden



"Crow – A Bird's-Eye View"

Michael's artwork offers a unique perspective of a prairie setting. It depicts a tornado approaching a prairie farm, complete with power poles.

Artist: Michael Hosaluk, Saskatoon

Regina
March 2003

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Power Corporation for the year ended December 31, 2002. This report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Madam, your obedient servant,

Maynard Sonntag
Minister Responsible
Crown Investments Corporation of Saskatchewan

From a proud history rooted in rural electrification to the recent emergence of wind power projects, SaskPower is part of a generations-long story – a story characterized by commitment, drive and ingenuity, and one that continues to contribute to the Saskatchewan way of life. SaskPower people are Saskatchewan people, and in 2002 we worked to deliver a strong financial performance while enhancing the service we provide to our customers.

We rebounded from the fiscal challenges of 2001 to record a net income of $127 million, and provided a dividend to our shareholder of $82 million. We also built on past efforts to control costs across the Corporation.

The relative stability of 2002 was a welcome change after the volatility of the previous few years. The SaskPower Board worked closely with the management team to maintain a high level of engagement with such issues as supply, distribution, rates and the continuing emergence of a competitive energy marketplace. In understanding and working through these challenges, we focused on the importance of adaptability and long-term strategic planning. Both are critical for operating in a complex and ever-shifting industry.

SaskPower's environmental commitment was central to much corporate activity in 2002. We continued to address climate change concerns and worked to position the Corporation as a leader in environmental sustainability. In this report you will read about a number of initiatives that are helping us move toward our environmental goals. In the future, our focus will remain on finding progressive solutions to such challenges as greenhouse gas emissions reduction while incorporating innovative ways of generating electricity. We are also looking to developments in clean coal technology and carbon offsets and credits.

While the Board plays an active role in guiding environmental policy, our primary purpose is the stewardship of the entire corporation. At the centre of this function are corporate governance practices that are designed to monitor and evaluate the effectiveness of the Board's directors and committees. A governance improvement process was undertaken in 2000, and since that time a number of enhancements have been implemented. In 2002, these actions culminated in the completion of the first Board member peer review.

Our Board is comprised of a variety of individuals with an impressive depth and breadth of experience. In the past year, we welcomed Marty Klyne of Regina, an independent business person; Deb Schmidt, a business consultant in Yorkton; and Janet Wightman, Executive Vice-President and Chief Operating Officer of Farm Credit Canada. The commitment of all Board members, past and present, is greatly appreciated.

As we continue to move forward and meet the challenges ahead, I thank all of those at SaskPower for their diligence and hard work in helping to make our strong recovery from 2001 possible. I am confident we are effectively positioned to meet our obligation to the people of Saskatchewan as we pursue our vision of excelling in competitive energy markets.

David T. Barnard

Chair

During the past year, our company has recovered from one of the most difficult periods in our history. A year earlier, drought and volatile natural gas prices, along with a number of other issues, combined to drastically reduce the Corporation's net income. And, regulatory and environmental uncertainties continued to loom.

Entering 2002, we focused on strengthening our core business – providing safe, reliable, cost-effective electricity to Saskatchewan people and businesses. We worked to build on a legacy of exceptional customer service backed by an impressive – but aging – infrastructure. And we remained committed to employee and public safety.

We were able to reduce power station fuel costs as a result of improved hydro conditions and the stabilization of natural gas prices. Meanwhile, we continued to intensify our efforts to control costs in all areas of the Corporation. And although rates were adjusted at the beginning of the year, we were able to hold the line on any further rate changes. In the end, not only were we able to post an important financial recovery, but we also successfully delivered some exciting initiatives that had been in development over a number of years.

Central to all that we do is the advancement of our commitment to environmental responsibility. In 2002, one of our focuses was our largest coal-fired facility, Boundary Dam Power Station, where we continued the installation of electrostatic precipitators designed to achieve a 99 per cent reduction in particulate emissions. In addition to the ongoing assessment of supply options, we continued to develop environmentally progressive sources of electricity: wind, natural gas, cogeneration and microturbines. Coupled with GreenPower, forest sequestration of carbon dioxide emissions, EnergyCheck, Energy Performance Contracting and our involvement in the Canadian Clean Power Coalition, SaskPower is clearly committed to advancing efforts in safeguarding our provincial, national and global environments.

Our concern for what happens beyond our borders is not limited to the environment. As part of the North American marketplace, SaskPower will continue to experience the effects of variables that may not be entirely within our control. But we are prepared. In its first full year of operation, our subsidiary NorthPoint Energy Solutions was able to achieve profitability despite soft export markets, while SaskPower International continued to build upon its role as our development arm.

There is a great deal of change around us, and I have been impressed by the openness of employees to take on new challenges. A new Diversity Committee, with representatives from the International Brotherhood of Electrical Workers (IBEW) Local 2067 and Communications and Energy Paperworkers (CEP) Local 649, is just one way we are helping to shape our workforce. Leadership programs, ongoing learning opportunities, as well as health and safety initiatives are all supporting and preparing employees for the future. We continue to plan in a way that ensures we are capable of a high degree of responsiveness, whatever the challenge, and we are positioned for long-term success.

You can read more about our accomplishments in the pages ahead. They are the direct result of the extraordinary efforts of our employees and the strong leadership demonstrated by our Board of Directors; I thank all for their faith and hard work. As well, we must pass along our gratitude to our customers – residential, agricultural, business and industrial – for their continued support. We are committed to listen and work closely with you as we look forward to many new exciting developments ahead.

John Wright

President and Chief Executive Officer

Homegrown Power

Our Continuing Commitment

For our customers and employees, SaskPower is about more than the supply of electricity. It is a corporation that is historically anchored in Saskatchewan values: dedication, perseverance and dependability. Our commitment to service is homegrown, as is the complex and far-reaching infrastructure that fulfills the needs of our customers.

Since 1929, SaskPower has demonstrated the innovation and pioneering spirit necessary to connect customers across an expansive geographic service area of approximately 652,000 square kilometers. In 2002, these qualities were successfully brought to bear upon a range of challenges to ensure that more than 434,000 customers received a safe and reliable supply of power across the most extensive network of power lines in Western Canada – 152,000 kilometres and growing.

SaskPower is a customer-oriented company. Our 2,350 permanent, full-time employees are unified in our daily focus of serving Saskatchewan people. We recognize the importance of a continuous two-way relationship with those we serve in order to ensure we effectively fulfill our obligations not only in the present, but well into the future.

The University of Regina became SaskPower's first commercial customer by committing to an annual purchase of GreenPower for the new Greenhouse Gas Technology Centre. It's an especially fitting link as the new facility is building on the work of the International Test Centre for Carbon Dioxide Capture.

In 2002, we were able to communicate with our customers in a number of important ways. From ongoing customer satisfaction analysis to a survey of how residential customers utilize electricity, research plays a critical role in energy forecasting and service delivery.

The introduction of GreenPower is an exciting example of how SaskPower is responding directly to customer input, strengthening our environmental commitment and diversifying the energy supply mix. GreenPower is an optional product – and among the lowest priced in Canada – that provides customers with the opportunity to purchase blocks of electricity produced from renewable resources with little or no environmental impact. In this case, the source is 100 per cent wind power, generated in southwestern Saskatchewan. Solar, biomass, landfill gas and flare gas sources may also figure into the future GreenPower mix.

The University of Regina was SaskPower's first commercial GreenPower customer, with its purchase destined for the new Greenhouse Gas Technology Centre. SaskEnergy and TransGas subsequently signed on to support the electrical needs of nine customer service centres, three offices and a natural gas compressor station. By using GreenPower instead of fossil fuel generated electricity, the SaskEnergy/TransGas purchase will reduce greenhouse gas emissions equal to the effect of planting about 142,000 trees per year.

In addition, the electricity needs of approximately 16 per cent of provincial government facilities in Saskatchewan are met with GreenPower, as are the needs of SaskPower's head office in Regina. Meanwhile, the residential, farm and small business demand for this Eco-Logo certified product continues to grow. Partnerships with organizations including the Saskatchewan Environmental Society and City of Saskatoon continue to help raise the profile of GreenPower.

The Corporation is also tackling the issue of climate change by working closely with large clients through our Energy Performance Contracting service. It helps customers achieve better energy efficiency through the retrofitting of heating, cooling, lighting, ventilation and building automation systems. The capital costs of projects are generally financed through energy savings. SaskPower has ongoing Energy Performance Contracting projects totalling almost $17 million with the provincial government's Saskatchewan Property Management Corporation, the City of Regina and Saskatchewan Valley School Division. Work was completed in 2002 on a contract with the North West Catholic School Division in North Battleford.

Homegrown Service – Energy Performance Contracting is a program that reduces the use of electricity through higher efficiency. Energy and operational savings offset the cost of a lighting retrofit at Regina's City Hall.

We're also working closely with a variety of customers to improve service delivery and convenience. SaskPower has introduced new oilfield rate options to accommodate remote meter reading and customer-assisted meter reading. As well, we have created an on-line service application for all oilfield customers at saskpower.com, and larger oilfield customers have access to new 25/72/138 kV-specific rates.

Another significant service-oriented initiative has been the implementation of extended hours for the SaskPower Customer Services Call Centre and Collections department. Representatives are now available by telephone weekday evenings and Saturdays to handle customer billing inquiries, applications for service and payment issues.

After launching a rate rebalancing initiative in 2001, SaskPower continued to rebalance rates in 2002 in an effort to have customers pay rates that more closely reflect the actual cost of service. An external Cost of Service Review – recommended by the Saskatchewan Rate Review Panel – was completed and the recommendations implemented. The use of an outside analyst to assess SaskPower's methodology ensures our cost allocation practices are fair and consistent with industry standards.

Powering a Province

For SaskPower, the generation of electricity requires meticulous assessment and planning. Ongoing challenges associated with an aging infrastructure, greenhouse gas emissions and regulatory issues must be met with safe, responsible and cost-effective solutions.

Our mix of coal, hydro, natural gas and purchased electricity has been further diversified with the addition of two sources of wind power in the southwestern part of the province: the 17-turbine, 11.2-MW SunBridge Wind Power Project and SaskPower's 9-turbine, 5.9-MW Cypress Wind Power Facility. Together, the two projects produce enough electricity for the GreenPower program to make Saskatchewan the third largest generator of wind power in Canada.

In 2002, the $140-million repowering of the Queen Elizabeth Power Station in Saskatoon was completed with the installation of six Hitachi gas turbines. Using combined-cycle technology, the facility adds 150 MW of supply and reduces SaskPower's annual greenhouse gas emissions by about 200,000 tonnes – an amount equal to taking 30,000 cars off Saskatchewan roads. Waste exhaust heat from the turbines will help drive the power

station's existing steam turbines. In a first for Saskatchewan, the turbines were assembled at the Hitachi Canadian Industries plant in Saskatoon.

Work has begun on an $80-million rebuild of one of SaskPower's largest electrical generating units, located at the Boundary Dam Power Station near Estevan. Another 20 to 25 years will be added to the life of Unit #6, which is one of the lowest cost suppliers of electricity in our generating system. As well, an upgraded electrostatic precipitator will significantly reduce particulate emissions. Savings realized as a result of this project – compared to the costs of installing a new gas turbine – means the project will pay for itself in seven years.

We're also participating in pilot projects to explore alternative energies. SaskPower and SaskEnergy joined with the Regina Health District to gain experience in microturbine technology for cogeneration and assess the feasibility of distributed generation. In another project, SaskPower and SaskEnergy partnered with Flatland Exploration to capture gas that is normally flared from oil well sites in order to drive two microturbines. The cost of each pilot project is approximately $400,000, with that amount split between SaskEnergy and SaskPower.

In 2002, the Regina General Hospital participated in a pilot project to explore alternative energies. Two microturbines were installed to provide heat for the hospital while also generating electricity for SaskPower's electrical grid.

Connecting to Customers

As with the ongoing study of long-term supply options, SaskPower must also prepare for the future when it comes to delivering electricity to our customers. This year we took a significant step forward in sharing our outlook with the public by publishing a 10-year Transmission Development Plan. It outlines the Corporation's anticipated transmission and load growth developments for the period 2002 to 2011. This is the first time SaskPower has prepared and circulated such a detailed look into the future of our transmission system. The plan will be updated annually and is available upon request.

In the meantime, SaskPower continues to invest in its transmission and distribution facilities to ensure it can meet reliability standards and forecast load growth. Major projects in 2002 included a new substation at Senlac, major transformer projects at Peebles and Beatty, substation rebuilds at Parkman and at Powerhouse Drive in Regina, a capacity increase at our Moose Jaw A substation, as well as numerous line rebuilds. In particular, the Dilke/Holdfast rebuild was utilized as a learning project for a line apprentice induction crew. System reliability was also strengthened – and employee and public safety enhanced – when approximately $14 million was spent on pole replacement projects and pole testing.

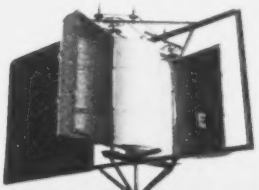
During the year, SaskPower successfully completed approximately $44 million in new customer connects. This volume of activity is down from 2000 and 2001, due to lower levels of demand within the oilfield and urban residential sectors. However, it is more in line with historical averages in this category.

Our Shared Environment

Climate change, greenhouse gas emissions reduction and our commitment to environmental responsibility continue to play a key role in our day-to-day operations and future planning. SaskPower was the first Canadian electric utility to achieve corporate-wide registration under the ISO 14001 standard, and independent audits in 2002 verified that our environmental management system continues to meet these demanding requirements.

In preparation for the possible implications of the ratification and implementation of the Kyoto Protocol, SaskPower has been proactive in four key areas: increasing effectiveness through internal initiatives and cogeneration projects; increasing customer awareness; investing in renewable energy sources; and pursuing offset opportunities which compensate for emissions.

Following rigorous review, the forest sequestration program that SaskPower initiated with Saskatchewan Environment in 1999 was endorsed by the Greenhouse Emission Reduction



Homegrown Generations

Trading (GERT) pilot project. A Canadian first, the project will offset greenhouse gas emissions in Saskatchewan by establishing more than 500,000 hectares of forest carbon reserves. Existing forests will remain unharvested, while approximately five million seedlings will be planted in northern areas. Three million seedlings have already been planted, and the project will generate 22 million tonnes of carbon dioxide offsets when it is complete.

SaskPower's Shand Greenhouse continues to draw waste heat from the nearby Shand Power Station to provide a year-round growing environment for tree, shrub and native plant species. Over the past decade, approximately three million seedlings have been distributed to organizations province-wide. Nearly 500,000 seedlings were distributed in 2002, primarily to community and non-profit groups.

We have undertaken a number of environmental improvements at our largest coal-fired facility, Boundary Dam Power Station. A five-year, $62-million initiative is seeing the installation of electrostatic precipitators that are designed to achieve a 99 per cent reduction in particulate emissions. An electrostatic precipitator tie-in to Unit #1 was completed in December, while a tie-in for Unit #2 is scheduled for early 2003 and will complete the project.

Two generations of SaskPower employees provided the right combination of technical expertise and experience to help create the Cypress Wind Power Facility. Mark Peters, Project Leader, worked side-by-side with Site Coordinator and 32-year veteran of SaskPower, Ken Haugland.

Our involvement with the Canadian Clean Power Coalition, an association of coal and coal-fired electricity producers, is helping to contribute to the development of clean coal technology. As a founding member, SaskPower is providing $238,000 toward the development of expertise that will virtually eliminate air emissions of concern, including carbon dioxide, from coal burning power plants. We are also an active member of the U.S.-based Zero Emissions Coal Alliance and the Greenhouse Gas Emissions Management Consortium.

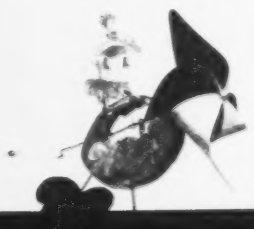
Not only is SaskPower diversifying the way we generate electricity, we are also working to change the way people think about power. SaskPower is taking environmental messages to the public in a variety of exciting ways. We are participating in and helping to fund Climate Change Saskatchewan activities, including the development of a new educational program for elementary and secondary students focusing on climate change issues. It is designed to assist students in becoming aware of how they can actively contribute to solutions. Led by the University of Regina, the program focuses primarily on conducting teacher education workshops and developing and adapting instructional materials for use in Saskatchewan elementary and high schools.

Grade five and six students in Saskatchewan responded in overwhelming numbers to the first-ever challenge from the SaskPower Shand Greenhouse to create posters dealing with climate change. More than 1,000 entries were received from students at over 60 schools, helping to raise awareness in classrooms across the province.

Our sponsorship of the Destination Conservation program continued in 2002 through our partnership with the Saskatchewan Environmental Society. Workbooks were produced for grade five children in the Saskatoon school system in support of the provincial curriculum guide with respect to energy management and environmental issues.

The EnergyCheck on-line audit application provides customers the opportunity to save money on their energy bills while having a positive impact on the environment. The site includes useful information that can help identify ways to reduce electrical consumption. In 2002, more than 3,200 on-line audits were completed, bringing the total to approximately 6,800 since inception. The audit has also been expanded through a partnership with SaskEnergy.

Efforts to contribute to the protection of our province's ecosystem also continue with our support of the Quill Lakes Solar Panel Project, Saskatchewan River Sturgeon Management Board, Piping Plover



Homegrown Spirit – *These kids from St. John's School "Can't Wait to Walk" the SaskPower kilometre. SaskPower is sponsoring the enhancement of a kilometre of the Meewasin Trail. It will extend along the bank of the South Saskatchewan River that flows through Saskatoon.*

Conservation Plan, and a partnership with the Nature Conservancy of Canada to preserve more than 5,300 hectares of native Prairie grassland in southwestern Saskatchewan.

In 1996, SaskPower became the first Diamond Legacy sponsor of Ducks Unlimited Canada with the signing of a 30-year agreement. Each year, we make an annual contribution to Ducks Unlimited in support of habitat, education and research programs in Saskatchewan. In 2002, SaskPower funds helped create a newly-equipped research laboratory at the University of Saskatchewan that will dramatically cut the time to develop new varieties of winter wheat. This crop not only has the potential to significantly improve incomes for Prairie farmers, but will also help save Saskatchewan soil resources by reducing wind and water erosion, and provide shelter for nesting birds and other wildlife.

Partnering with Our Community

At SaskPower, we value our unique relationship with the people of Saskatchewan. And in the course of making substantial investments to improve our infrastructure, we also make important contributions to the provincial economy. In addition to the impact of the day-to-day operations of a $3.6-billion company, we strive to ensure our major projects reflect our commitment to the people and businesses of Saskatchewan.

In Saskatoon, the gas turbines for the repowering project at the Queen Elizabeth Power Station were assembled at the local facility of Hitachi Canadian Industries. Maintenance of the turbines over the next 20 years will create 60 person-years of local employment, while during construction the QE project created about 150 person-years of employment. The Hitachi plant also fabricated the towers for our Cypress Wind Power Facility. The Cypress project generated more than $4 million of work for Saskatchewan suppliers.

The construction phase of the Cory Cogeneration Station has been responsible for creating approximately 460 person-years of employment, and $69 million in purchases of Saskatchewan goods and services. And work installing the first five electrostatic precipitators at the Boundary Dam Power Station created opportunities worth approximately $16.5 million for Saskatchewan suppliers of goods and services. Work on the sixth and final precipitator will generate another $2.7 million for Saskatchewan firms.

Aside from large-scale projects, we work hard to ensure purchases are made from provincial suppliers whenever possible. On items ranging from leather gloves to transformers, we were able to source over 80 per cent of our purchases of goods and services from firms within our borders in 2002.

In addition to having a positive economic impact on the Saskatchewan economy, SaskPower also makes a conscious effort to improve quality of life for the province's residents. In Estevan, we continued our partnership with the City to modify a pumping system to improve the quality of the community's water supply, drawn from Boundary Dam Reservoir. Meanwhile, our corporate contributions program focuses on education, environment and community involvement province-wide. We direct more than $1 million annually through partnerships with non-profit and charitable organizations.

In 2002, many organizations benefited from our involvement, including the Meewasin Valley Authority in Saskatoon, which received financial and land contributions from SaskPower to assist with further trail development. We continued our support of the Saskatchewan Science Centre, one of Saskatchewan's premiere educational attractions, and the Saskatchewan Music Festival Association, which brings together competitors and participants from 52 communities across the province. SaskPower also maintains the title of presenting sponsor of Saskatchewan Express, a troupe that showcases talented young performers from every corner of our province. We also provided a donation to the Western Development Museum in Saskatoon that will be used to develop a new exhibit – The Story of Rural Electrification.

As part of SaskPower's commitment to diversity initiatives, we fund five annual events in Saskatchewan that recognize women in non-traditional fields. Meanwhile, our support for women's curling is widely evident and includes sponsorship of the SaskPower Scott Tournament of Hearts and SaskPower Schmirler Women's Curling Classic.

In the mid-90s, SaskPower found a supplier of one-time locks in Herbert, Saskatchewan. Harry Prang, of Trans Canada Machining, designed the highest-quality lock for electrical equipment the Corporation had ever seen. He's been manufacturing locks and fabricating parts for SaskPower ever since.

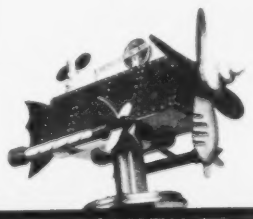
Safe and Sound

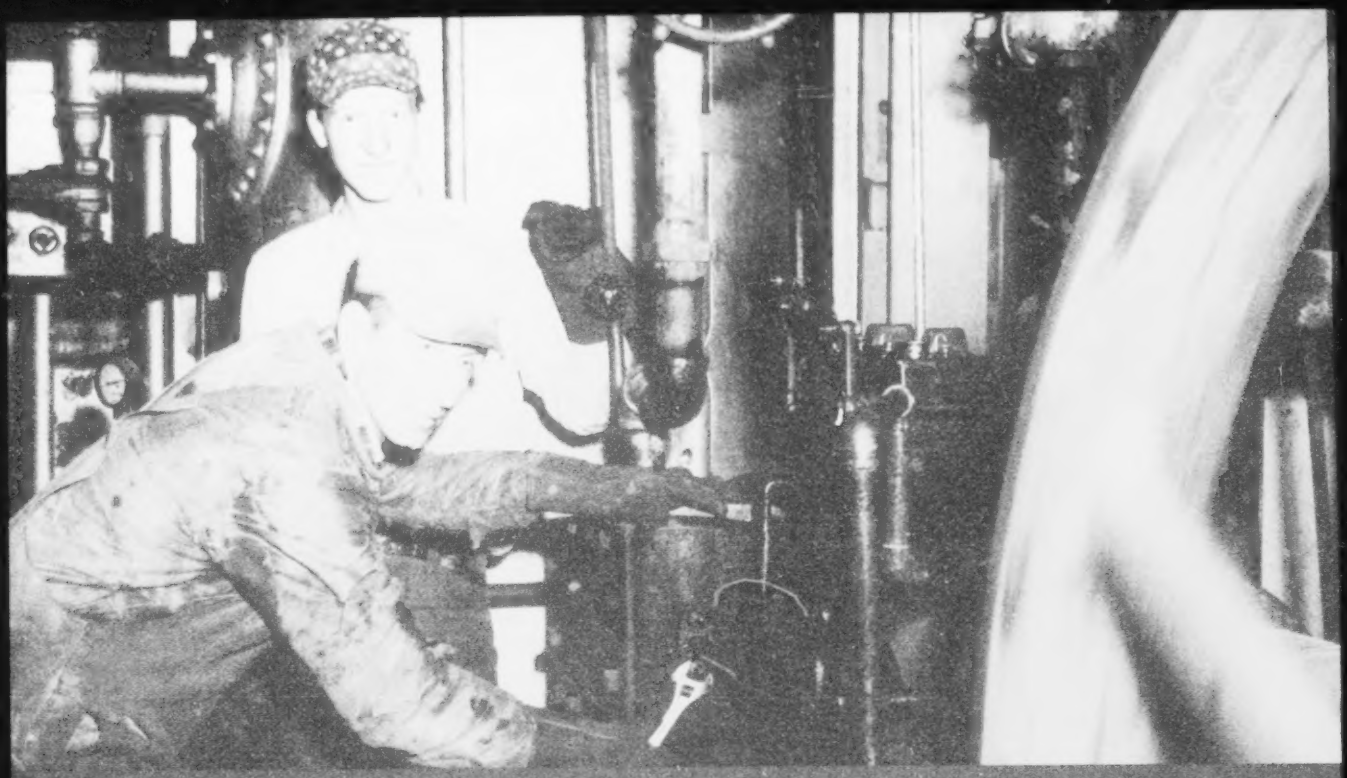
Customer and employee safety is of paramount importance at SaskPower. As a result, we commit a substantial amount of resources to training, education and awareness programs. Internally, safety content on the Corporation's intranet has been significantly enhanced to ensure employees are kept abreast of safety issues and activities. In addition, the development of a new SaskPower Safety Rulebook for employees has been completed.

Externally, safety content on SaskPower's website was expanded in 2002. A new area of the website was developed specifically for safety bulletins and consumer product alerts. SaskPower also conducted a number of farm and general safety advertising campaigns that focused on everyday electrical dangers, farm safety and construction safety. The Corporation is also responsible for promoting gas safety, and focused on campaigns dealing with chimneys, propane and seasonal safety tips.

Corporate contributions are also used to strategically support the Corporation's safety goals and objectives. Since 1999, SaskPower has partnered with the Saskatchewan Safety Council to deliver the Power Pac Program. It promotes the many facets of safety through presentations to children in schools across the province. In addition, we completed an on-line safety tutorial targeted at grade K-6 children in Saskatchewan. An on-line contest is planned for 2003 to drive more users to the tutorial and to raise awareness about the dangers of electricity.

In 2002, customers also saw the unveiling of SaskPower's safety mascot, Louie the Lightning Bug. A school visit program was developed so that Louie could share electrical safety messages and information kits with employees, customers and children across the province.





Homegrown Talent – *Garner Mitchell (top) and Art Richter working on a boiler in the Moose Jaw generating station in 1965.*

A Focus on the Future

Electricity market deregulation continues to evolve at differing rates across a number of jurisdictions. In Saskatchewan, 2002 represented the first full year in which the new Open Access Transmission Tariff (OATT) was in effect. It is designed to help us maintain access to export and import markets, and provides transmission access to out-of-province wholesale suppliers and Saskatchewan independent power producers.

In late 2001, SaskPower created a wholly owned energy marketing subsidiary, NorthPoint Energy Solutions, to take advantage of changing market conditions. NorthPoint serves as an energy asset manager for the Corporation and is responsible for arranging, when profitable, the export of electricity that is surplus to Saskatchewan needs and, when economical, importing power into Saskatchewan to reduce SaskPower costs. In 2002, NorthPoint was successful in further establishing itself in the marketplace by arranging the necessary licences, permits and credit arrangements for operation. It also acquired additional annual transmission rights in order to improve power exchange capabilities. Despite soft market pricing in neighbouring wholesale markets, some transmission constraints and quickly evolving market rules, NorthPoint posted a profit in its first full year of operation.

SaskPower International is another wholly owned subsidiary of SaskPower. As our development arm, its role is to position the Corporation to excel in competitive energy markets by helping to diversify our energy base and revenue streams while achieving an appropriate return on investment capital.

SaskPower International is a 50 per cent partner with ATCO Power in the Cory Cogeneration Station, located at the Potash Corporation of Saskatchewan's Cory mine site, near Saskatoon. The 228-MW facility is expected to begin operation in early 2003 and provides another environmentally progressive supply source to help meet future energy needs.

Meanwhile, SaskPower International also has a 30 per cent ownership interest with ATCO in the MRM Cogeneration Station. The 170-MW plant is located at the Athabasca Oil Sands Project's Muskeg River Mine, located about 75 kilometres north of Fort McMurray, Alberta. It is expected to begin commercial operations in early 2003. While the Muskeg River Mine will use all of the steam output from the plant and approximately half of the power output, the remaining electricity will be sold into the Alberta power grid.

SaskPower International continued to concentrate on flyash retailing in 2002, with very strong overall sales and sales volume exceeding that of the last four years. SaskPower International furthered its efforts

with a Manitoba distributor to increase the market share of Boundary Dam Power Station flyash sales into that province. In addition, Shand Power Station flyash is being used on some secondary highway rebuilds in Saskatchewan, providing a cost-effective alternative for roadbase stabilization.

A Changing Workplace

As we continue to build a company that is fully prepared to face our current and future business challenges, we continue to invest in our people. Of primary importance is the attraction and retention of skilled employees. We continue to utilize a diversity strategy that targets under-utilized labour pools, including individuals with disabilities, visible minorities, women in non-traditional roles and Aboriginal people. In 2002, SaskPower built upon the success of its Aboriginal employees network by establishing an Aboriginal Policy Framework that will help guide future activities.

We continue to recognize the significance of maintaining an inviting corporate culture while accommodating the transfer of knowledge necessitated by an aging workforce. Our apprenticeship program offers dynamic learning opportunities in electrical, mechanical, instrumentation, operating and line trades. In 2002, our power line apprenticeship program expanded, with 65 individuals in the training pool.

Garner Mitchell began his career with SaskPower in 1963 (opposite). He's been playing on the home team ever since. With a background in engineering and science, strong management skills and a good dose of pure prairie grit, Garner is now our Vice-President, Power Production.

Employee learning opportunities have also grown, with the introduction of Traccess™, an on-line system that helps individuals acquire and maintain the skills and knowledge necessary to do their jobs. It allows employees to learn at their own pace while at their work location. This initiative minimizes training travel costs while accommodating individual learning styles. On-the-job training, seminars and other innovative approaches continue to balance the new system to create a blended learning approach.

In the wake of the terrorist attacks in the United States on September 11, 2001, security improvements for our employees and facilities became a necessity. Security reviews have been conducted at power stations, transmission and distribution facilities and Customer Services offices. The implementation of recommendations continues to protect employee and corporate assets.

SaskPower has always had various contingency plans in place to deal with unexpected events that could significantly impact our generating, supply and customer service abilities. Now a cross-functional working group is working to blend these efforts to develop a formal, corporate-wide SaskPower Emergency Preparedness and Business Continuity Planning Program. It provides the structure and guidelines for managing, planning and documenting our emergency preparedness efforts on an ongoing basis.

Like other businesses, SaskPower's information technology infrastructure plays a critical role in many of the Corporation's activities. In 2001, the Corporate Process Improvement Program was created to position the Corporation to fully realize the benefits resulting from the implementation of a software solution that supports integrated business processes – SAP. The Corporate Process Improvement Committee, consisting of members of the Board working with senior management, reviews and monitors the activities of the program.

In 2002, the focus continued to be on supporting business units in realizing benefits while reporting effectiveness in the annual business plan and budget. During the year, the Provincial Auditor reviewed SaskPower's process to measure and report benefits. This resulted in several recommendations that SaskPower has committed to address in addition to a positive assessment of progress we have made in this area.

SaskPower also continues to explore new ways of doing business as part of our commitment to our customers and suppliers. New electronic commerce tools are being explored, and an initial study analyzing e-business and e-procurement opportunities has been performed. An action plan will be developed to guide future decision-making in this area.

Management's Discussion and Analysis

Management's Discussion and Analysis highlights the primary factors that have an impact on the financial results and operations of the Corporation. It should be read in conjunction with the audited financial statements and the accompanying notes.

Profile – Safe, Reliable, Cost-Effective Electricity

The Saskatchewan Power Corporation (SaskPower, the Corporation) is a provincially owned Crown corporation employing 2,350 permanent full-time staff at locations throughout Saskatchewan. SaskPower is a subsidiary of the Crown Investments Corporation of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations.

The core business of SaskPower is providing safe, reliable, cost-effective electricity to the people of Saskatchewan. The Corporation produces, purchases, transports and markets electricity with the objectives of: balancing customer consumption and power generation; earning an appropriate financial return for SaskPower's owner; financing a portion of infrastructure investments through funds generated internally; and setting fair and reasonable rates.

The current regulatory process in Saskatchewan allows the Corporation to request rate adjustments with review by an independent rate review panel. The panel evaluates rate applications to ensure that the rate adjustments are fair and reasonable. Based on its review, the panel makes recommendations to the provincial Cabinet which approves rate adjustments.

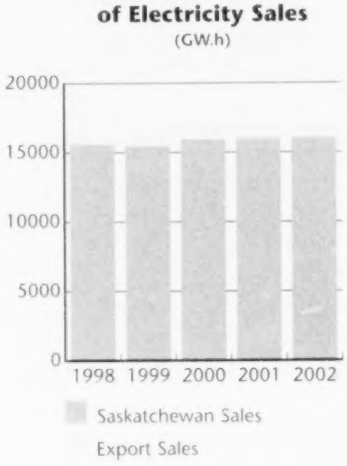
SaskPower's aggregate generating capacity in 2002 was 3,272 megawatts (MW). This includes the 3,051 MW capacity of SaskPower's own facilities – three coal-fired stations, seven hydroelectric stations, four natural gas stations and nine wind turbines. The Corporation also has available generation capacity of 221 MW through long-term power purchase agreements with the gas-fired Meridian Cogeneration Station and the SunBridge Wind Power Project.

SaskPower's electrical grid totals 152,110 kilometres (12,026 kilometres transmission and 140,084 kilometres distribution) and covers a geographic service area of approximately 652,000 square kilometres. The grid is especially large in relation to SaskPower's customer base. With more than 434,000 customers – including residential, farm, business and wholesale – the Corporation serves an average of about three customers per kilometre of line or one customer per square kilometre of service area.

In 2002, Saskatchewan's wholesale electricity market was opened to competition for the first full year through the posting of an Open Access Transmission Tariff (OATT) by SaskPower. The OATT allows competitors to schedule access to the Corporation's transmission system to wheel power through Saskatchewan or sell to wholesale customers in the province.

SaskPower has three wholly owned subsidiaries: SaskPower International Inc.; NorthPoint Energy Solutions Inc.; and Power Greenhouses Inc. Each subsidiary prepares and issues separate audited financial statements. The financial statements of the subsidiaries are consolidated within the financial statements of SaskPower in accordance with Canadian generally accepted accounting principles.

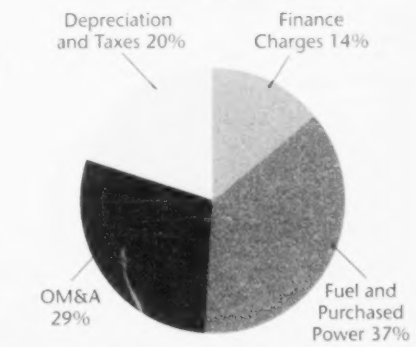
Five-Year Volume of Electricity Sales



2002 Revenue

Total Revenue: $1,124 million

2002 Expense



Total Expense: $997 million

Financial Overview – Profit Picture Rebounds Strongly

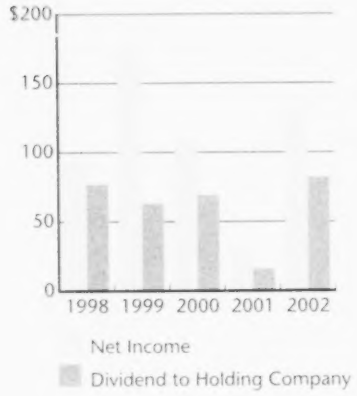
During 2002, SaskPower continued to provide power to customers across Saskatchewan, export electricity to external markets and invest for the future. Despite a slight dip in revenue, the Corporation's financial results rebounded strongly in 2002 due to a sharp decline in expense.

In 2002, net income was $127 million, up 338% from 2001. Return on equity was 10.9% in 2002, more than four times that registered for 2001. This favourable income performance permitted the Corporation to increase dividend payments to the Crown Investments Corporation to $82 million in 2002, a significant increase from $16 million in 2001.

SaskPower's 2002 capital investments – designed to expand capacity, address environmental concerns and enhance reliability – totalled $305 million. While 2002 capital spending was down $59 million from the previous year, it remained well above the five-year average of $240 million.

Net debt of the Corporation stood at $1.9 billion at December 31, 2002, down $25 million from 2001 year-end. This was due primarily to the improved earnings performance, lower capital investments and utilization of cash and short-term investments during 2002. SaskPower's debt ratio was 60.2% for 2002 compared to 60.0% for 2001. The 60.2% debt ratio was consistent with SaskPower's target of 60.0% and provides the Corporation with some fiscal flexibility for the future.

Summary of Net Income and Dividends to Holding Company
(in millions)



Revenue – A Slight Dip as Export Sales Decline

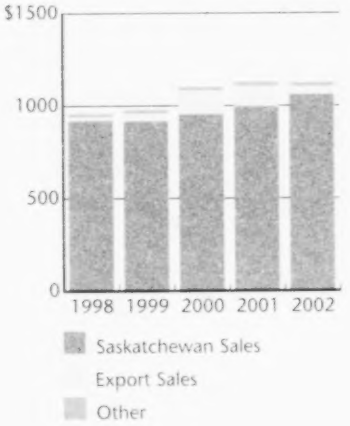
SaskPower's 2002 revenue was $1,124 million, down $2 million from 2001. This dip in revenue reflects a 61% drop in export sales revenue, nearly offset by a 6% increase in Saskatchewan sales.

Revenue from Saskatchewan customers in 2002 was $1,058 million, up from $994 million in 2001. This increase was primarily the result of a general rate adjustment effective January 1, 2002. This rate change increased Saskatchewan sales revenue by about 4.5% or $47 million. Electricity sold to Saskatchewan customers was 15,998 gigawatt hours (GW.h) in 2002, up marginally from the 2001 level of 15,954 GW.h.

Export revenue declined from $109 million in 2001 to $43 million in 2002, due largely to lower prices in external markets and reduced demand. In 2002, the Corporation exported 777 GW.h of electricity at an average price of $55/MW.h, compared to 945 GW.h at an average price of $115/MW.h in 2001.

Other revenue amounted to $23 million in 2002, unchanged from the previous year. Other revenue includes natural gas and electrical permit charges, proceeds from custom work, flyash sales and customer connect fees.

Summary of Revenue
(in millions)



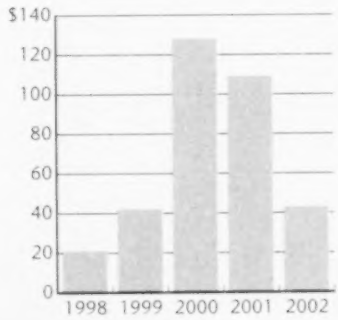
Expense – Down Dramatically

Total expense for 2002 was $997 million, 9% lower than 2001. This reduction was due primarily to a 22% decrease in fuel and purchased power costs and a 22% decrease in finance charges. These reductions in expense were partially offset by a 13% increase in operating, maintenance and administration (OM&A) costs.

(a) Fuel and Purchased Power – More Hydro/Lower Gas Prices Cut Costs

Fuel and purchased power costs were $366 million in 2002 compared to $468 million for 2001. This was mainly attributed to three key factors.

Summary of Export Sales
(in millions)

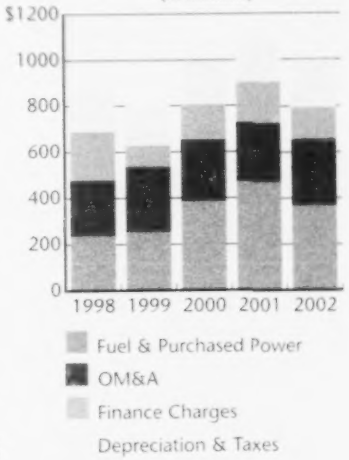


First, increased river flows, especially in the latter half of the year, allowed for 19% higher hydro generation in 2002 compared to 2001. Hydro is the lowest cost generation source and the increased hydro generation reduced reliance on other relatively more expensive sources of supply.

Second, lower natural gas prices reduced fuel costs at the Corporation's gas-fired power plants and the cost of power purchased from other generators. The benchmark Alberta Index (AECO C) monthly average price of natural gas fell from $5.97 per gigajoule in 2001 to $3.86 per gigajoule in 2002.

Third, the lower demand for export sales reduced requirements for fuel and purchased power.

Summary of Expense by Type
(in millions)



(b) Finance Charges — *Stronger Canadian Dollar Reduces Expense*

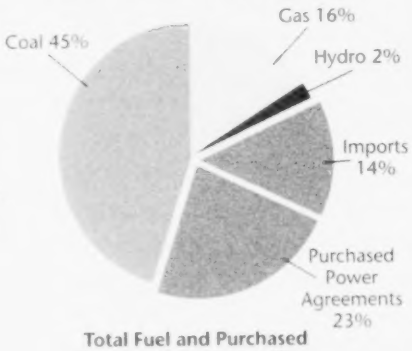
Finance charges were $141 million in 2002, down $40 million from 2001. This decline was largely due to the impact of a stronger Canadian dollar relative to the United States dollar in 2002. The Canadian dollar was worth U.S. $0.6331 at December 31, 2002; U.S. $0.6276 at December 31, 2001; and U.S. $0.6666 at December 31, 2000.

In accordance with Canadian generally accepted accounting principles, the Corporation translates any foreign currency denominated debt to the Canadian dollar equivalent at the year-end exchange rate. Any difference from the previous year-end amount is recorded as a foreign exchange translation gain or loss which is a component of finance charges.

The Corporation's foreign currency denominated debt consisted of U.S. $619 million. The U.S. 0.55¢ appreciation of the Canadian dollar during 2002 resulted in a foreign exchange gain of about $6 million, while the U.S. 3.9¢ depreciation of the Canadian dollar in 2001 resulted in a $44 million foreign exchange loss. The result is a $50 million reduction in finance charges in 2002 compared to 2001.

Reducing the favourable impact of a stronger Canadian dollar on finance charges in 2002 were higher interest payments. Interest payments on the Corporation's total long-term debt increased $12 million to $169 million in 2002. The increase was associated with a full year of interest payments in 2002 on $200 million of recourse debt issued in August 2001, and $91 million of non-recourse debt issued in April 2001. Other miscellaneous finance charges were down $2 million in 2002 over 2001.

2002 Fuel and Purchased Power Costs by Type (%)



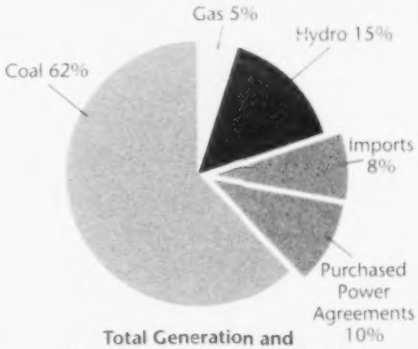
Total Fuel and Purchased Power Costs: $366 million

(c) Operating, Maintenance and Administration (OM&A) — *Payroll and Maintenance Expenses Grow*

OM&A expense amounted to $286 million in 2002, compared to $254 million in 2001. The $32 million increase in OM&A was largely due to increased wages, salaries, benefits and contract services.

Wages, salaries and benefits charged to OM&A in 2002 increased $15 million and totalled $144 million. Approximately $39 million of labour costs were capitalized in 2002, up slightly from the 2001 level of $38 million. The increase in wages, salaries and benefits in 2002 reflects terms of collective bargaining agreements and the cost of additional staff, such as line trade apprentices and other front-line positions.

2002 Generation and Purchased Power by Type (%)



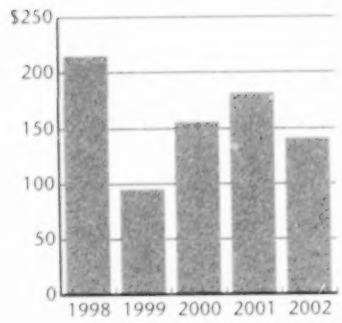
Total Generation and Purchased Power: 18,699 GW.h

Included in the above benefits are annual costs associated with SaskPower's defined benefit pension plan. In accordance with the Canadian Institute of Chartered Accountants' (CICA) Guidelines, an independent actuary calculates these costs based on long-term assumptions regarding return on plan assets and the obligations of the plan. In 2002, the actuary calculated plan income of $8 million. This is a non-cash item that is netted against OM&A. The $8 million of income compares to $14 million of pension income recorded in 2001. As a result of the lower pension income, OM&A expense increased $6 million in 2002 over 2001.

Contract services charged to OM&A were $70 million in 2002, a $9 million increase from the previous year. This increase was due mainly to increased maintenance and repair work required for SaskPower's aging generation fleet.

Materials, buildings, vehicles, insurance and other miscellaneous OM&A expenses were $72 million in 2002, compared to $64 million in 2001. This increase includes a spike in insurance premiums that were up $1 million in 2002, reflecting the very difficult market conditions in the aftermath of September 11, 2001.

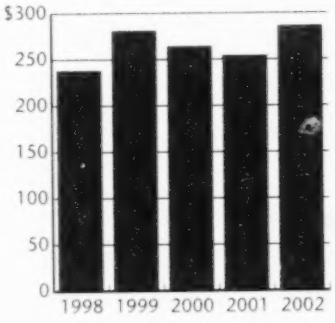
Summary of Finance Charges
(in millions)



(d) **Depreciation and Taxes** – *Recent Capital Investments Increase Depreciation*

Depreciation and taxes amounted to $204 million in 2002, compared to $194 million in 2001. Most of the increase in 2002 compared to 2001 was due to higher depreciation expense associated with SaskPower's recent capital investments.

Summary of OM&A Expenses
(in millions)



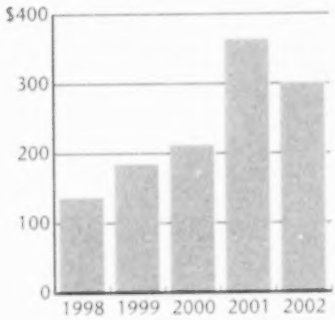
Capital Expenditures

– Infrastructure Investments Expand Capacity and Enhance Reliability

SaskPower continued to improve and update its infrastructure by investing $305 million in various capital projects during 2002, compared to $364 million in 2001. Major capital investments in 2002 included:

- $51 million, through its subsidiary, SaskPower International Inc., to complete construction of the Cory Cogeneration Station. This joint venture with ATCO Power Canada Ltd. is for the construction and operation of a 228-MW natural gas-fired cogeneration plant near Saskatoon, Saskatchewan, which commenced commercial operations on January 16, 2003. The generating capacity of this station is available to SaskPower pursuant to a long-term power purchase agreement;
- $44 million to connect customers to the SaskPower electrical system;
- $23 million in constructing or rebuilding transmission lines to transport electricity reliably throughout the province;
- $14 million to replace aging wooden power poles to enhance the safety and reliability of overhead electrical lines;
- $13 million to install new electrostatic precipitators at Boundary Dam Power Station. The use of precipitators significantly improves air quality by removing particulates from coal-fired thermal station emissions;
- $9 million to rebuild boilers to improve efficiency in electrical generation and upgrade coal handling facilities at the Boundary Dam Power Station;
- $9 million to complete the addition of 150 MW of natural gas-fired generation capacity to the Queen Elizabeth Power Station;

Summary of Capital Expenditures
(in millions)



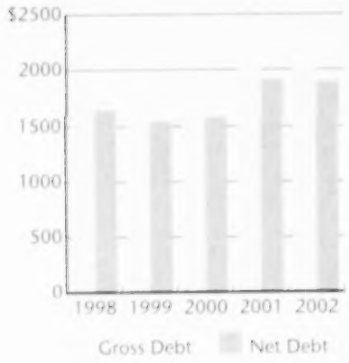
- $8 million for the purchase of vehicles for SaskPower operations; and
- $8 million to construct wind generation facilities as part of the Corporation's environmentally progressive generation initiatives.

Debt – *Prudent Level of Debt Provides Flexibility for the Future*

SaskPower's gross debt was $2,007 million as at December 31, 2002, compared to $2,009 million at the previous year-end. After deducting sinking funds – monies set aside for the orderly repayment of debt in the future – the Corporation's net debt at December 31, 2002, was $1,886 million, down $25 million from 2001 year-end.

In January 2003, the Corporation incurred an additional $100 million of long-term Canadian dollar denominated debt. Proceeds from this borrowing are targeted for refinancing a portion of the $153 million outstanding debt maturing in 2003.

Debt Outstanding
at December 31 (in millions)



SaskPower Subsidiaries – *Positioned to Add Value*

SaskPower International invests in power projects, sells consulting services, and markets and sells flyash, which is a by-product of coal generation. In 2002, in accordance with management's expectations, the Corporation continued to incur expenses related to the final construction phase of the Cory Cogeneration Station and the MRM Cogeneration Station. As a result, SaskPower International reported a net loss of $1.0 million in 2002 compared to a $0.3 million loss in 2001.

NorthPoint Energy Solutions is the wholesale electrical marketing agent of SaskPower that engages in the export and import of power and co-ordinates the generation output of SaskPower. NorthPoint generated net income of $2.3 million in its first full year of operations compared to $0.4 million in two months of operations in 2001. In 2002, a dividend of $2.0 million was declared, payable to SaskPower.

Power Greenhouses distributes seedlings that are grown using waste heat from the Shand Power Station and used for reclamation, habitat development and restoration. The trees that are planted help offset the carbon dioxide emissions from coal-fired electrical generation. Power Greenhouses essentially operates on a break-even basis.

2002 Net Income and Balance Sheet

(in millions)

	SaskPower Utility	SaskPower International	NorthPoint Energy Solutions	Power Greenhouses	Adjusting Entries	Consolidated SaskPower
2002 net income						
Revenue	$1,115	$ 3	$12	$1	$ (7)	$1,124
Expense	987	4	10	1	(5)	997
Net income (loss)	$ 128	$ (1)	$ 2	$–	$ (2)	$ 127
2002 balance sheet						
Assets	$3,523	$158	$24	$4	$(85)	$3,624
Liabilities	$2,335	$105	$13	$4	$(18)	$2,439
Equity	1,188	53	11	–	(67)	1,185
Total liabilities and equity	$3,523	$158	$24	$4	$(85)	$3,624

Measuring Performance – *Improving Overall Performance*

To enable SaskPower to achieve its vision, mission and values, the SaskPower Executive and Board have identified four strategic priorities and corporate goals. These provide the framework for the SaskPower Balanced Scorecard. Incorporating these priorities into the Balanced Scorecard provides a link between strategy and performance measurement.

The development of performance measures is an evolving process to which SaskPower is committed. The Corporation will work in consultation with Crown Investments Corporation to continue enhancing strategic planning, business planning and balanced scorecard processes.

2002 SaskPower Balanced Scorecard

Vision	Excelling in competitive energy markets.
Mission	We provide value-added electrical energy and related services. We achieve this through employee innovation, a competitive spirit and pursuing opportunity for our customers and shareholders.

Strategic Priorities	Corporate Goals	Corporate Objectives	Measures	2002 Target	2002 Actual
Live our values	To implement our values for our employees and our business	To have a safe and healthy workforce with leading-edge people practices	Safety Severity Rate Safety Frequency Rate Employment Diversity (% of new hires) Employee Satisfaction Index (%)	35 1.2 22 61	149 3.0 18 59
		To strengthen employee skills	Leadership Development (# of employees trained) Training Cost Factor ($/Permanent Employee)	194 1,000	183 920
		To promote sound environmental practices	Environmental Management System Audits Conducted	16	16
		To comply with public policy objectives	Saskatchewan Content Purchases (%)	75	81
Manage our business profitably	To manage the business of SaskPower with sound asset and financial management	To provide an adequate return to owner	Return on Equity (%) Consolidated Net Income ($ millions)	9.8 125	10.9 127
		To manage debt	Debt Ratio	60.0	60.2
	To minimize rate increases	To maximize lower cost generation	Coal Unit Availability (Equivalent Availability Factor %)	82.6	82.9
Grow through new business opportunities	To develop new business lines inside and outside Saskatchewan	To set net income targets for subsidiaries	SaskPower International Net Income ($ millions) NorthPoint Energy Solutions Net Income ($ millions)	(1.3) 0.9	(1.0) 2.3
Excel in customer service	To exceed our customers' expectations	To understand our customers' needs	Exceeding Customer Expectations (%)	46	46
	To provide reliable service	To meet or exceed industry reliability standards	Reliability: System Average Interruption Frequency Index Reliability: System Average Interruption Duration Index	1.8 3.5	1.5 3.4

Description of Performance Indicators

Safety Severity Rate – injuries incurred at work during the year based on the number of days lost and the severity of the injuries. The target is to be one of the top three utilities in Canada.

Safety Frequency Rate – the number of work-related injuries or illnesses that result in lost work time during the year. The target is to be one of the top three utilities in Canada.

Employment Diversity – new hires expressed as a percentage in the four designated groups (Aboriginal, visible minorities, disabled persons and women). The target is to have a workforce as diverse as the population of Saskatchewan.

Employee Satisfaction – the level of the satisfaction of employees at SaskPower. The target reflects SaskPower's commitment to have progressive improvement of the baseline measure established in 2000.

Leadership Development – the number of employees who participated in the leadership development program. The long-term target is to train all management and supervisory staff.

Training Cost Factor – the average training dollars invested in each employee during the year. This target will be revisited as new training needs are defined.

Environmental Management System Audits Conducted – the number of audits conducted each year on SaskPower's ISO registered units to ensure the Corporation maintains ISO 14001 registration.

Saskatchewan Content in SaskPower Purchases – the percentage of goods and services that were procured from Saskatchewan vendors. The target indicates SaskPower's commitment to support Saskatchewan economic development.

Return on Equity – net income expressed as a percentage of total equity. The target reflects an appropriate rate of return relative to other Canadian electrical utilities.

Consolidated Net Income – the accumulated net income of SaskPower and its subsidiaries after adjusting for inter-company transactions. The target reflects the income required to meet the return on equity and debt ratio targets.

Debt Ratio – debt expressed as a percentage of the total corporate financing structure. The target reflects a prudent level of debt for an electrical utility.

Coal Unit Availability – the amount of time in a given period that the coal units were available to generate at their maximum continuous rating. This target is tied to the achievement of SaskPower's Corporate Process Improvement Program.

SaskPower International Net Income – the net income of the subsidiary. The target reflects the current year's goal for the subsidiary.

NorthPoint Energy Solutions Net Income – the net income of the subsidiary. The target reflects the current year's goal for the subsidiary.

Exceeding Customer Expectations – the percentage of SaskPower customers who are "completely or very satisfied" with SaskPower's level of service. The long-term target reflects SaskPower's commitment to continually improve the level of customer satisfaction.

Reliability: System Average Interruption Duration Index (SAIDI) – the average service interruption length in hours from a customer's point of view. This is used to track the performance in responding to outages. The target is based on historical performance.

Reliability: System Average Interruption Frequency Index (SAIFI) – the average service interruption frequency from a customer's point of view. This is used to track the overall performance of SaskPower's distribution system. The target is based on historical performance.

Live our Values – SaskPower had mixed results in this quadrant in 2002. The safety measures revealed that SaskPower must improve to reach its long-term target of being one of the top three electrical utilities in Canada. The Corporation is committed to continuing to invest a substantial amount of resources in training, education and awareness in order to achieve this result. Conversely, the Saskatchewan Content Purchases measure was above target as the Corporation procured $227 million of goods and services from Saskatchewan vendors in 2002. The other measures in this quadrant were comparable to target.

Manage our Business Profitably – SaskPower's results were comparable to target in this quadrant as the Corporation's financial results rebounded from a difficult 2001.

Growth Through Business Opportunities – this quadrant identifies SaskPower's subsidiaries as the primary vehicles for the growth of the Corporation. In 2002, NorthPoint Energy Solutions provided a positive net income in their first full year of operations while SaskPower International's financial performance is expected to improve in 2003 with the commissioning of the Cory and MRM Cogeneration Stations.

Excel in Customer Service – this quadrant signifies the Corporation's commitment to customer service excellence. The Corporation achieved its 2002 target for Exceeding Customer Expectations. However, SaskPower intends to improve on this result through existing and planned customer service initiatives. The SAIDI and SAIFI measures were comparable to target demonstrating the Corporation's continued success in providing a reliable distribution system.

Outlook for 2003 – Strong Financial Performance Moderates

SaskPower's strong financial performance in 2002 is expected to moderate in 2003. Net income is anticipated to be constrained by continued soft export markets and higher natural gas prices. A continuation of the prairie drought, which reduces river flows and hydro generation, would also constrain 2003 net income.

The Corporation has scheduled sizeable, albeit somewhat lower infrastructure investments for 2003 compared to 2002. Investments in 2003 include a major rebuild of the 300 MW Unit #6 at the Boundary Dam Power Station and enhancing the reliability of the transmission and distribution system. This lower level of capital expenditure, together with more moderate net income performance, should keep the Corporation's debt level relatively stable. Therefore, borrowing activity during 2003 is targeted at refinancing maturing debt.

Priorities and Challenges for the Future – Bright Outlook, Addressing Challenges Head-on

There are a number of issues on the horizon that may have a significant impact on SaskPower in future years. In meeting its vision of excelling in competitive energy markets, the Corporation will continue to address a number of challenges, including:

(a) **Human Resources** – Diversified, Qualified and Skilled Workforce Essential for Continued Success

Over the next five to 10 years, as an increasing number of employees retire, SaskPower will be faced with the human resource issues of recruitment and retention of a qualified and skilled workforce; compensation; training and development; and succession planning. The Corporation is preparing for expected retirements through the establishment of an apprenticeship program in the mechanical, electrical, line and instrumentation trades. SaskPower is also committed to developing its existing workforce through leadership and technical training of its employees.

A more diversified workforce that closely mirrors the composition of the provincial population will improve the Corporation's ability to serve its customers. To achieve this, SaskPower has endeavoured to recruit about one-quarter of new hires from the four designated groups (Aboriginal, visible minorities, disabled persons and women).

Continuing to improve relations with SaskPower's two collective bargaining units is also an important priority for future success. Existing collective agreements with the International Brotherhood of Electrical Workers Local 2067, and the Communications, Energy and Paperworkers Local 649, expire in December 2003 and January 2004 respectively.

(b) **Aging Infrastructure** – Adding to Cost Pressures

SaskPower's generation, transmission and distribution facilities were constructed primarily during the period of sustained growth in Saskatchewan that occurred from the 1950s to the 1970s. Many facilities are now over 40 years of age and require, on an annual basis, large amounts of regular maintenance and lengthy overhaul periods. Significant capital investment is required each and every year to ensure that facilities and equipment are replaced or installed to meet the ever-increasing demand for electrical energy from customers.

To minimize these investments, SaskPower is engaged in a program of planned maintenance designed to maximize operating efficiency and increase the useful life of these facilities.

(c) **Regional Transmission Organizations** – North American Transmission Connections Changing

Canada's electrical transmission network extends over approximately 160,000 kilometres and comprises 35 major interconnections with a total inter-provincial transfer capability of over 10,000 MW. This includes any approved or planned transmission projects. Canadian utilities – with the exception of those in the Territories, Prince Edward Island, Newfoundland and Labrador – are part of broader regional generation and transmission planning bodies such as the Mid-Continent Area Power Pool (MAPP), Western Systems Coordinating Council (WSCC) and Northeast Power Coordinating Council (NPCC).

Most of Canada's trade in electricity has been to the United States. There are, however, some existing constraints to north-south transmission, as in the case of the MAPP system to which SaskPower belongs. The MAPP, which is primarily an energy-exporting region, is limited in its ability to alleviate the potential capacity shortages in the United States.

In the United States, the Federal Energy Regulatory Commission (FERC) issued Order 2000 with the objective of having all transmission-owning utilities voluntarily place their transmission facilities under the control of Regional Transmission Organizations (RTOs). The assumption was that the formation of RTOs would lead to the necessary upgrades and improvements of the transmission network. FERC has indicated its preference for one RTO in each of the following regions – Northeast, Midwest, Southeast and West.

FERC also intends to reform the design of competitive wholesale power markets to create a standardized market. Goals of the Standard Market Design (SMD) include more choice and improved services for all market participants, lower prices from reduced transaction costs and wider trade opportunities, as well as improved reliability through better grid operation and expedited infrastructure improvements. FERC is of the view that a standardized market operation would provide common market rules and a coherent plan that will trigger investments in transmission lines and substations.

SaskPower and other Canadian utilities are currently considering membership in RTOs. SaskPower is investigating the implications of changes to the transmission system and market design.

(d) Regulation – *Change Continues Across North America*

The extent and pace of electrical industry regulatory change and restructuring are continuing to occur in jurisdictions across North America to varying degrees. The Corporation operates in a competitive environment for sales of electricity outside provincial borders and the wholesale market in Saskatchewan is open to competition. SaskPower will continue to carefully consider the changes occurring throughout North America to be positioned to provide reliable power at reasonable costs to Saskatchewan customers.

(e) Environment – *A Continuing Priority for SaskPower*

While environmental responsibility continues to be a priority in SaskPower's day-to-day operations and future planning, environmental issues are expected to become even more significant for the utility industry in the future.

In 2000, the Corporation became the first utility in Canada and one of the first in North America to be registered under ISO 14001. This registration is designed to allow companies to systematize their environmental management efforts and provides an international framework for business and environmental improvement. It also requires organizations to make a commitment to comply with legal and other requirements, foster environmental protection and work to continually improve their environmental management system.

The Kyoto Protocol is specifically concerned with greenhouse gas emissions, which is a significant issue for SaskPower given its reliance on fossil fuel generation. The combustion of coal and natural gas involves the release of carbon dioxide (CO_2) and other emissions. The precise details as to what SaskPower must do to comply with the Kyoto Protocol are not yet known. Nonetheless, it is anticipated significant challenges and costs will arise for the Corporation.

Meanwhile, the Corporation continues to be proactive in addressing greenhouse gas emissions and other environmental issues through numerous projects and initiatives.

(f) Fuel and Purchased Power Expenses – *A Key for Financial Performance*

Fuel and purchased power, which represent the largest cost category for the Corporation, are subject to extreme market volatility. SaskPower's experience over the last two years has clearly demonstrated the increased volatility of fuel and purchased power costs – jumping 22% in 2001 while falling a similar amount in 2002.

Looking forward, SaskPower faces a number of challenges in managing fuel costs. These include high and volatile natural gas prices, as well as uncertain and decreased water flow levels. Lower than normal water flow levels will necessitate the use of higher cost generation sources to meet customer load requirements.

To optimize production, SaskPower will continue to manage its current fleet of generating units and preserve the assets through regular maintenance and capital improvements. By using its most cost-effective generating facilities first, together with importing power and contracting with other producers, SaskPower will seek to minimize its fuel and purchased power costs.

New generation that has come on-line is predominantly gas-fired. This has been the favoured source of new generation as it operates on an environmentally progressive fuel source and is less expensive to build than hydro or coal-fired generation stations. However, the fuel costs for these units are substantially higher than existing hydro or coal-fired generating stations. As the mix of fuel sources shifts to more gas generation in the electric industry as a whole, all utilities, including SaskPower, will see a substantial increase in the cost of fuel to operate these generating stations.

SaskPower is continuing to look for ways to improve its performance from conventional coal and hydro generation. At the same time, the Corporation is examining new approaches and technologies to minimize fuel and purchased power costs and the environmental impact from its generation facilities.

In an effort to minimize the impact of volatility in the price of natural gas or other commodities necessary in the day-to-day operation of SaskPower, the Corporation has a Board-approved risk management program in place. The risk management program is designed to minimize the impact to the Corporation of fluctuating fuel costs.

(g) Risk Management – Managing Volatility Increasingly Important

SaskPower is exposed to various forms of risk in its business environment. Changes in interest rates, fluctuations in foreign currency exchange rates and changes in natural gas and other commodity prices can impact a company's future financial success. To manage these exposures, the Corporation utilizes hedging strategies.

SaskPower is also subject to other risks, such as sudden and accidental loss of assets, interruption of business and liability suits. The Corporation utilizes two methods for dealing with these risks. Loss prevention methods are applied in instances where the risks can be controlled, eliminated or transferred. Loss prevention involves engineering, administrative and operating staff working to identify risks and develop loss prevention solutions. SaskPower also purchases insurance to minimize these types of risks.

SaskPower regularly updates and revises its policies and procedures guidelines for risk management. These guidelines provide for the consistent application of risk management across various business processes, thereby better protecting and enhancing shareholder value.

(h) Improving Business Processes – Realizing Benefits

During 1998 and 1999, SaskPower undertook a corporate-wide initiative to review, redesign and implement new operational processes and reporting methods. As part of the project, SaskPower replaced aging information technology systems with a Systems, Applications and Products in Data Processing (SAP) software system.

SaskPower, in consultation with the Provincial Auditor, will continue efforts to realize the benefits from its investment in SAP. The benefits include improved generation availability, performance efficiencies due to better work scheduling, as well as operations improvements driven by process redesign efforts.

2002 SaskPower Executive Team (at December 31, 2002)

John Wright
President and Chief Executive Officer

Myron Gulka-Tiechko
General Counsel and
Assistant Secretary

David Hughes
President and Chief Executive Officer
SaskPower International

Bill Hyde
Vice-President
Human Resources

W. Davern Jones
Vice-President and
Chief Financial Officer
Corporate and Financial Services

Garner Mitchell
Vice-President
Power Production

Rick Patrick
Vice-President
Planning, Environment
and Regulatory Affairs

Eric Rankin
Vice-President and
Chief Information Officer
Corporate Information
and Technology

Kelly Staudt
Vice-President
Transmission and Distribution

Anna M. Willey
Executive Director
Communications and Public Affairs

Patricia Youzwa
Vice-President
Customer Services
Chief Executive Officer
NorthPoint Energy Solutions

Report of Management

The consolidated financial statements of Saskatchewan Power Corporation (SaskPower) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates which have been made using management's best judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to February 7, 2003. The financial information presented in the Management's Discussion and Analysis and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control, including corporate-wide policies and procedures which provide reasonable assurance that the Corporation's assets are safeguarded and that financial records are relevant and reliable. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express a professional opinion on the fairness of management's consolidated financial statements. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside directors. At regular meetings it reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, consolidated financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee. The Audit and Finance Committee reports its findings to the Board of Directors for their consideration when approving the consolidated financial statements. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

On behalf of Management,

John Wright

John Wright
President and Chief Executive Officer
February 7, 2003

W. Davern Jones

W. Davern Jones
Vice-President and Chief Financial Officer

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Power Corporation as at December 31, 2002 and the consolidated statements of income and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Canada
February 7, 2003

Consolidated Statement of Income and Reinvested Earnings

(in millions)

For the year ended December 31	2002	2001
Revenue		
Electric sales		
Saskatchewan	**$1,058**	$ 994
Export	**43**	109
Other	**23**	23
Total revenue	**1,124**	1,126
Expense		
Fuel and purchased power	**366**	468
Operating, maintenance and administration	**286**	254
Depreciation (Note 3)	**177**	168
Taxes (Note 4)	**27**	26
Finance charges (Note 5)	**141**	181
Total expense	**997**	1,097
Net income	**127**	29
Reinvested earnings, beginning of year	**480**	467
Dividends	**(82)**	(16)
Reinvested earnings, end of year	**$ 525**	$ 480

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at December 31	2002	2001
Assets		
Current assets		
Cash and short-term investments (Note 6)	**$ 93**	$ 203
Accounts receivable and unbilled revenue	**151**	142
Materials, fuel and supplies	**104**	105
	348	450
Property, plant and equipment (Note 7)		
Property, plant and equipment	**5,163**	4,841
Less: Accumulated depreciation	**2,193**	2,040
	2,970	2,801
Construction in progress	**215**	268
	3,185	3,069
Other assets (Note 8)	**91**	73
Total assets	**$3,624**	$3,592
Liabilities and equity		
Current liabilities		
Accounts payable	**$ 177**	$ 185
Accrued interest	**49**	49
Current portion of long-term debt (Note 9)	**168**	15
Dividend payable	**19**	7
	413	256
Long-term debt (Note 9)	**1,718**	1,896
Other liabilities (Note 10)	**308**	300
Total liabilities	**2,439**	2,452
Equity		
Equity advances (Note 11)	**660**	660
Reinvested earnings	**525**	480
Total equity	**1,185**	1,140
Total liabilities and equity	**$3,624**	$3,592

Commitments and contingencies (Note 13)

See accompanying notes

On behalf of the Board:

David T. Barnard, Chair

V. Lynne Pearson, Director

Consolidated Statement of Cash Flows

(in millions)

For the year ended December 31	2002	2001
Operating activities		
Net income	**$127**	$ 29
Add (deduct) items not involving cash:		
Depreciation	**177**	168
Foreign exchange (gains) losses	**(6)**	44
Defined benefit plan income	**(8)**	(14)
Sinking fund earnings	**(9)**	(8)
Other	**–**	1
	281	220
Net change in non-cash working capital balances	**(19)**	25
Cash provided by operating activities	**262**	245
Investing activities		
Property, plant and equipment	**(280)**	(346)
Investment in MRM Cogeneration Station	**(8)**	(14)
Other investing activities	**(2)**	(1)
Cash used in investing activities	**(290)**	(361)
Decrease in cash before financing activities	**(28)**	(116)
Financing activities		
Proceeds from long-term debt		
– Advances from the Province of Saskatchewan	**–**	200
– Non-recourse debt	**6**	91
Sinking fund installments	**(15)**	(10)
Debt discount and issue costs	**–**	(4)
Dividends paid	**(70)**	(26)
Long-term payables and other	**(3)**	–
Cash (used in) provided by financing activities	**(82)**	251
(Decrease) increase in cash and short-term investments	**(110)**	135
Cash and short-term investments, beginning of year	**203**	68
Cash and short-term investments, end of year	**$ 93**	$203

See accompanying notes

Notes to Consolidated Financial Statements

As at December 31, 2002

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. The Corporation was established by *The Power Corporation Act*, passed on April 8, 1950.

By virtue of *The Crown Corporations Act*, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskPower is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates which may impact the actual results reported in future periods.

The following accounting policies are considered significant:

(a) Consolidation and Investments

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint Energy Solutions), Power Greenhouses Inc. (Shand Greenhouse) and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation. Separate audited financial statements are prepared for each subsidiary.

The Corporation has accounted for its joint venture interests using the proportionate consolidation method.

The Corporation accounts for investments over which it exerts significant influence using the equity method. The investment is initially recorded at cost and the carrying value adjusted thereafter to include the Corporation's proportionate share of post acquisition earnings of the investment.

(b) Short-Term Investments

Short-term investments have an average maturity date of 90 days or less from the date of acquisition. These investments are carried at cost which approximates market value.

(c) Materials, Fuel and Supplies

Maintenance materials, fuel, supplies and plant repair parts are recorded at average cost. Materials are charged to inventory when purchased and then expensed or capitalized as appropriate, when installed.

(d) Property, Plant and Equipment

Property, plant and equipment is recorded at cost and includes material, direct labour, overhead costs and an allowance for funds used during construction (AFUDC). AFUDC provides for the cost of financing construction in progress. It is a non-cash item that is added to construction in progress and deducted from finance charges.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount.

Contributions in aid of construction are funds received from certain customers toward the costs of service extensions. Contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset.

Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

Maintenance and repair costs are expensed as incurred.

(e) Depreciation

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. Estimated service lives of the assets are periodically reviewed and any changes are applied prospectively. In accordance with industry practice, depletion on long-term coal properties is calculated using the unit of production method based on estimated proven reserves. Depreciation expense includes the gain or loss on both the complete and partial disposal of assets.

The average estimated service life of new assets for the major categories of property, plant and equipment are:

Asset	Average Service Life in Years
Generation:	
Coal	30 years
Natural gas	24 years
Hydro	50 years
Transmission	35 – 50 years
Distribution	35 – 40 years
Other	3 – 50 years

(f) Future Asset Removal and Site Restoration Costs

Provisions for the costs, net of expected recoveries, of future asset removal and site restoration arising on the retirement of property, plant and equipment are prepared where estimates can reasonably be made. This provision reflects the estimated cost of decommissioning generation, transmission, distribution and other facilities, as well as the cost of environmental mitigation, and is included in other liabilities. Provisions are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. These costs are charged to depreciation expense on a straight-line basis over the expected useful lives of the assets involved. Due to the long-term nature of the assumptions made in deriving these estimates, there could be a material adjustment to income in the near-term.

(g) Environmental Costs

Environmental costs which have a future benefit associated with modifications to property, plant and equipment are capitalized and depreciated over the remaining useful life of the related asset. Costs associated with environmental expenditures which relate to an existing condition, caused by past activities, with no benefit to the future, are charged to income in the current period. Liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of SaskPower, is considered probable and the costs can be reasonably estimated.

(h) Derivative Financial Instruments

Derivative financial instruments (derivatives) are utilized by the Corporation to reduce foreign currency and natural gas price exposure. The Corporation utilizes hedge accounting to record gains and losses relating to derivatives that are designated as hedges. Under hedge accounting, gains and losses are deferred and recognized in the same period and financial statement category as the related items hedged. The Corporation does not enter into financial instruments for trading or speculative purposes.

In order to qualify for hedge accounting, the derivatives must be designated by management as being a hedge and must be effective. The Corporation designates derivatives as being a hedge through the formal documentation of all relationships between hedging instruments and hedged items, as well as by its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions.

Management believes that hedge effectiveness for foreign currency derivatives is achieved (both at inception and over the term of the instrument) as the term to maturity, the (notional) principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged. With respect to natural gas hedges, the Corporation assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the gas hedging transactions are highly effective in offsetting changes in the cash flows of hedged items.

(i) Foreign Currency Translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period.

(j) Revenue Recognition

Electrical revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end.

Revenues are reported on a gross basis unless the Corporation is acting in the capacity of an agent or a broker, in which case revenues are recorded net of purchases. Through its subsidiary NorthPoint Energy Solutions, SaskPower acts as a principal in energy marketing transactions taking title to the energy purchased for resale and assuming the risks and rewards of ownership. Therefore, energy marketing revenues are recorded on a gross basis.

(k) Debt Discount and Issue Costs

Debt discount and issue costs are amortized on a straight-line basis over the term of the respective debt issue and are included in other assets or liabilities as appropriate.

(l) Employees' Future Benefits

The Corporation provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. The defined benefit pension plan is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations*, as well as *The Power Corporation Superannuation Act*. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to contributions for current service. When made, these contributions are charged to income.

The defined benefit pension plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' salary and years of service. At the discretion of the Lieutenant Governor in Council, pensions may be increased annually up to the rate of increase in the Consumer Price Index. The cost of pension benefits under this plan is actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. Market rates are used to measure the accrued benefit obligation and fair value to measure the pension plan assets. The estimated transitional asset that resulted from the adoption of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461 is being amortized over the average remaining service life of the employees in the plan. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of the employees in the plan.

The Corporation provides defined benefit severance plans for substantially all employees. The cost of severance benefits under these plans is determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation that resulted from the introduction of the plan is being amortized over the average remaining service life of the employees in the plan.

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's obligation is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

3. Depreciation (in millions)

	2002	2001
Depreciation expense	**$173**	$164
Future asset removal and site restoration	**13**	12
Amortization of contributions in aid of construction	**(9)**	(8)
	$177	$168

4. Taxes (in millions)

	2002	2001
Grants in lieu of taxes to 13 cities	**$ 13**	$ 13
Saskatchewan corporate capital tax	**13**	13
Other	**1**	–
	$ 27	$ 26

The amount of cash paid for grants in lieu of taxes was $13 (2001 – $12) and capital tax was $13 (2001 – $12).

In addition to the above, SaskPower collected a municipal surcharge on behalf of 433 Saskatchewan cities, towns and villages from customers and remitted $34 (2001 – $32) in lieu of taxes to these local governments pursuant to Section 36 of *The Power Corporation Act*. Also in 2002, SaskPower paid $11 (2001 – $13) of provincial sales tax to the Province of Saskatchewan.

5. Finance Charges (in millions)

	2002	2001
Interest on long-term debt	**$169**	$157
Other interest and charges	**4**	4
Less: Sinking fund earnings	**(9)**	(8)
Interest income	**(5)**	(5)
	159	148
Foreign exchange (gains)/losses	**(6)**	44
AFUDC	**(12)**	(11)
	$141	$181

The amount of cash paid for interest amounted to $165 (2001 – $154).

6. Cash and Short-Term Investments (in millions)

	2002	2001
Cash	$ 5	$ –
Short-term investments	88	203
	$ 93	$203

In 2002, investments earned interest at rates ranging from 2.78% to 3.14% per annum. In 2001, the investments earned interest at rates ranging from 2.14% to 4.49% per annum.

7. Property, Plant and Equipment (in millions)

	2002				2001			
	Cost	Accumulated Depreciation	Construction in Progress	Net Book Value	Cost	Accumulated Depreciation	Construction in Progress	Net Book Value
Generation	$2,658	$1,162	$ 38	$1,534	$2,452	$1,086	$139	$1,505
Cogeneration	–	–	128	128	–	–	77	77
Transmission	594	239	25	380	567	225	29	371
Distribution	1,506	570	12	948	1,443	531	9	921
Other	405	222	12	195	379	198	14	195
	$5,163	$2,193	$215	$3,185	$4,841	$2,040	$268	$3,069

Included in the above amounts are unamortized customer contributions of $239 (2001 – $231).

8. Other Assets (in millions)

	2002	2001
Investment in MRM Cogeneration Station	$22	$14
Cross-currency swaps	21	23
Debt discount and issue costs	3	3
Defined benefit plan	21	13
Carbon offsets	5	4
Deferred assets and prepaid expense	19	16
	$91	$73

MRM Cogeneration Station

In 2001, the Corporation, through its subsidiary SaskPower International Inc., acquired an ownership interest in the MRM Cogeneration Station. The 170-megawatt natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The cogeneration station commenced commercial operations January 2003.

Ownership interests in the MRM Cogeneration Station are as follows:

ATCO Power Canada Ltd.	56%
SaskPower International Inc.	30%
ATCO Resources Ltd.	14%

9. Long-term Debt (in millions)

SaskPower's gross debt consists of $1,910 of recourse debt and $97 of non-recourse debt. The recourse debt is comprised of advances from the Province of Saskatchewan, substantially all of which have annual sinking fund requirements. The non-recourse debt is used to finance the Cory Cogeneration Plant. Under the terms of this debt, lenders have recourse limited to the project assets.

Long-term Debt Repayment Schedule and Details of Debt

	2002			2001		
	Principal Outstanding		Average	Principal Outstanding		Average
Years to Maturity	United States Dollars	Canadian Dollars	Interest Rate (%)	United States Dollars	Canadian Dollars	Interest Rate (%)
Recourse debt						
Advances from the Province of Saskatchewan						
Canadian dollar denominated debt						
1-5 years		$ 315	11.30		$ 252	11.76
6-10 years		77	10.01		140	9.76
20-25 years		340	9.35		340	9.35
26-30 years		200	6.40		200	6.40
		932	9.43		932	9.43
United States dollar denominated debt						
1-5 years	$ 50	79	6.63	$ 50	80	6.63
6-10 years	194	306	7.13	194	309	7.13
11-15 years	75	119	7.38	75	119	7.38
16-20 years	300	474	8.79	100	159	9.38
21-25 years	–	–	–	200	319	8.50
	619	978	7.92	619	986	7.92
Gross recourse debt		1,910			1,918	
Non-recourse debt						
1-25 years		97	7.37		91	7.59
Gross non-recourse debt		97			91	
Gross debt		2,007			2,009	
Less sinking fund balances:						
Canadian dollar balances		(46)			(38)	
United States dollar balances	(48)	(75)		(38)	(60)	
		(121)			(98)	
Long-term debt, net of sinking funds		1,886			1,911	
Less current portion of long-term debt		(168)			(15)	
Long-term debt		$1,718			$1,896	

Advances from the Province of Saskatchewan

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount (in millions)
July 20, 1993	July 15, 2003	6.63	United States Dollar	$ 50
March 15, 1993	March 15, 2008	7.13	United States Dollar	194
July 20, 1993	July 15, 2013	7.38	United States Dollar	75
December 20, 1990	December 15, 2020	9.38	United States Dollar	100
July 21, 1992	July 15, 2022	8.50	United States Dollar	200
				$619
May 2, 1983 to December 9, 1983	May 2, 2003 to December 9, 2003	10.92 to 12.14	Canadian Dollar	$ 73
April 2, 1984 to December 1, 1989	April 2, 2004 to December 1, 2009	9.12 to 14.06	Canadian Dollar	319
February 4, 1992	February 4, 2022	9.60	Canadian Dollar	240
May 30, 1995	May 30, 2025	8.75	Canadian Dollar	100
August 8, 2001	September 5, 2031	6.40	Canadian Dollar	200
				$932

Non-recourse debt

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount (in millions)
April 26, 2001	June 30, 2003 to March 31, 2025	7.59	Canadian Dollar	$49
April 26, 2001	September 30, 2004 to June 30, 2026	7.60	Canadian Dollar	42
October 4, 2002	June 30, 2003 to March 31, 2011	B.A.* +1.13	Canadian Dollar	6
				$97

** A Bankers Acceptance is an instrument that is created by a non-financial firm and accepted and guaranteed by the bank. This rate is based on the average rates from eight Canadian Banks with the high and low rates omitted from the average.*

As at December 31, 2002, scheduled debt retirement requirements for the next five years are as follows (in millions):

	2003	2004	2005	2006	2007
Recourse debt	$152	$58	$72	$49	$63
Non-recourse debt	1	2	3	3	3
	$153	$60	$75	$52	$66

Sinking Funds

Under conditions attached to certain advances from the Province of Saskatchewan, the Corporation is required to pay annually into sinking funds administered by Saskatchewan Finance amounts at least equal to 1% of certain debt outstanding. As at December 31, 2002, scheduled sinking fund installments for the next five years are as follows (in millions):

	2003	2004	2005	2006	2007
Sinking fund annual contribution	$15	$14	$14	$14	$14

10. Other Liabilities (in millions)

	2002	2001
Future asset removal and site restoration costs	**$251**	$240
Long-term agreements payable	**51**	54
Other liabilities	**6**	6
	$308	$300

Long-Term Agreements Payable (in millions)

Included in long-term agreements payable is a long-term service contract, signed in 1986, wherein the Corporation purchased certain assets from a customer at a cost of $39 plus interest at 11% per year. The customer is required to purchase a minimum amount of electricity with consumption in excess of this amount applied to outstanding interest and principal at a rate of 85% of the revenue received. The remaining liability is $23 (2001 – $28) and the Corporation expects terms of the agreement will be completed by 2004.

11. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

12. Financial Risk Management

By virtue of its business operations, the Corporation is exposed to changes in the United States/Canadian dollar exchange rate, the price of natural gas and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. Financial instruments are not used for trading or speculative purposes. The Corporation mitigates risk associated with these financial instruments through Board approved policies; limits on use and amount of exposure; internal monitoring; and compliance reporting to senior management and the Board.

Foreign Exchange Risk

The Corporation has an exposure to the United States/Canadian dollar exchange rate primarily through the long-term United States denominated debt that has been incurred by the Corporation. This risk includes exposure to fluctuations in both the principal and coupon payments associated with the United States denominated debt. The Corporation utilizes cross-currency swaps and coupon swaps to offer protection from fluctuations on a portion of this debt that is due in 2003 and 2008.

Gas Price Risk

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants and through the gas purchased for use in certain power purchase agreements. As at December 31, 2002, the Corporation had entered into a series of natural gas contracts to manage the price of natural gas.

Interest Rate Risk

The Corporation is exposed to interest rate risk on the maturity of its long-term debt; however this risk is considered low. As a result, the Corporation had no financial contracts in place to offset interest rate risk as of December 31, 2002.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

SaskPower's credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions.

Financial Instruments

The fair value of the Corporation's financial instruments reflect market estimates of the amount that the Corporation would pay or receive to terminate contracts at the end of the year. They are not a result of market transactions. Changes in assumptions, economic conditions and other factors could cause significant changes in the fair value estimates. The following summarizes the fair value of the Corporation's financial instruments at year-end.

At December 31, 2002	**Notional Principal**		**Fair Value Asset (Liability)**		**Repricing or Maturity Date**
	United States Dollars	**Canadian Dollars**	**United States Dollars**	**Canadian Dollars**	
Coupon swaps	**$ 8**	**$ 11**	**$ –**	**$ –**	**2003**
Cross-currency swaps	**112**	**155**	**18**	**29**	**2003-2008**
Foreign exchange contracts	**6**	**10**	**–**	**–**	**2003**
Natural gas contracts	**–**	**–**	**–**	**6**	**2003**
Total	**$126**	**$176**	**$18**	**$35**	

At December 31, 2001	Notional Principal		Fair Value Asset (Liability)		Repricing or Maturity Date
	United States Dollars	Canadian Dollars	United States Dollars	Canadian Dollars	
Coupon swaps	$158	$225	$ 2	$ 3	2002-2003
Cross-currency swaps	112	155	14	23	2003-2008
Foreign exchange contracts	6	9	–	–	2002
Natural gas contracts	–	–	–	(15)	2002
Total	$276	$389	$16	$11	

The following is a comparison of the balance sheet carrying values and fair values of debt, long-term agreements payable, sinking funds, cross-currency and coupon swaps:

At December 31	**2002**		2001	
	Asset (Liability)		Asset (Liability)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term debt	**$(1,910)**	**$(2,419)**	$(1,918)	$(2,289)
Non-recourse debt	**(97)**	**(101)**	(91)	(91)
Long-term agreements payable	**(51)**	**(47)**	(54)	(59)
Sinking funds	**121**	**123**	98	101
Cross-currency and coupon swaps	**21**	**29**	23	26

Fair values are determined as follows:

(a) long-term debt instruments are valued at year-end market prices for similar instruments;

(b) long-term agreements payable are valued at the present value of future cash flows discounted at SaskPower's weighted average cost of capital;

(c) sinking funds, cross-currency swaps and coupon swaps are valued at closing year-end market rates; and

(d) other financial instruments including cash and short-term investments, accounts receivable and unbilled revenue, accounts payable and accrued liabilities and dividends payable approximate fair value due to the short period to maturity.

13. Commitments and Contingencies (in millions)

(a) The Corporation has entered into power purchase agreements expected to cost $4,700 until 2028 and provide approximately 449 megawatts of electrical power annually.

At 2002 prices, the Corporation also had forward commitments of $1,964 (2001 – $1,777) extending up to 22 years for coal contracted for future minimum deliveries. Included in the forward coal commitments are two promissory notes due in 2003 and 2004. These arise from the sale of two draglines and payments on certain leased mining equipment which was assumed by the purchaser of a mining operation which end 2014.

(b) Due to the size, complexity and nature of SaskPower operations, various legal matters are pending. In the opinion of management these matters will not have a material effect on SaskPower's consolidated financial position or results of operations.

(c) The Corporation has guaranteed $17 (2001 – $8) of energy savings to various customers through SaskPower's energy performance contracts. An energy performance contract is a comprehensive facility improvement program designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.

(d) The Corporation has issued letters of credit in the amount of $6 (2001 – $1).

14. Joint Ventures (in millions)

(a) In 2000, the Corporation, through its subsidiary SaskPower International, entered into agreements for a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. to construct a 228-megawatt natural gas-fired cogeneration plant, the Cory Cogeneration Station, near Saskatoon, Saskatchewan.

(b) The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC was incorporated pursuant to the Saskatchewan Business Corporations Act (Saskatchewan) effective November 19, 1999 and was registered with the Province of Alberta on December 18, 2000. CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term debt to finance construction of the Cory Cogeneration Station. CCFC will act as agents for the Owners, receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.

(c) The Corporation holds a 14% interest in Canadian Power Consultants (CPC). CPC was formed in 2002, with AMEC E&C Services Limited and Acres International Limited, for the purpose of providing services under a consulting contract with Canadian International Development Agency (CIDA).

(d) The Corporation's interest in joint ventures is summarized below:

	2002	2001
Balance sheet		
Current assets	$ 4	$ 21
Current liabilities	(6)	(9)
Construction in progress	128	77
Deferred financing costs	2	2
Non-recourse long-term debt	(96)	(91)
Investment in joint ventures	$ 32	$ –
Statement of cash flows		
Operating activities	$ –	$ –
Investing activities	(55)	(54)
Financing activities	38	74
(Decrease) increase in cash position	$ (17)	$ 20

Current assets include cash of $4 (2001 – $21) which is only available for use within the joint ventures.

15. Related Party Transactions (in millions)

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2002	2001
Accounts receivable and unbilled revenue	$ 1	$ 3
Accounts payable and accrued liabilities	5	6
Interest payable – Province of Saskatchewan	49	49
Revenue	48	51
Expense	45	41

Other amounts due to/from related parties and the terms of settlement are described separately in these consolidated financial statements and notes thereto.

16. Employees' Future Benefits (in millions)

Defined Benefit Pension Plan

The Corporation sponsors a defined benefit pension plan (the Plan) and uses the balance sheet date as at September 30 as the measurement date. An annual actuarial valuation showed that the Plan had an actuarial deficit of $47 (2001 – surplus of $29). The decline in the funded status of the Plan was primarily due to investment earnings being less than anticipated and a change in the discount rate. The calculation of the pension plan deficit is as follows:

	2002	2001
Plan assets		
Fair value at beginning of year	**$ 667**	$739
Actual return on plan assets	**(6)**	(36)
Funding contributions	**2**	2
Benefits paid	**(38)**	(38)
Fair value at end of year	**625**	667
Accrued benefit obligation		
Balance at beginning of year	**638**	628
Current service cost	**7**	7
Interest cost	**42**	41
Benefits paid	**(38)**	(38)
Actuarial loss	**22**	–
Plan amendments	**1**	–
Balance at end of year	**672**	638
Funded status – plan (deficit) surplus	**$ (47)**	$ 29

However, for accounting purposes, an asset of $21 (2001 – $13) was recorded on SaskPower's balance sheet. The difference between the value reported as the funded status of the Plan and the value recorded on SaskPower's balance sheet is due to the CICA requirement to base the valuation of the Plan for accounting purposes on long-term actuarial assumptions rather than on actual experience. This requirement is based upon the idea of smoothing gains or losses over the estimated average remaining service life of the Plan participants. This prevents large swings in net income due to fluctuations in the market value of the Plan.

Below is a reconciliation of the funded status of the Plan and the value of the Plan recorded on SaskPower's balance sheet. The most significant reconciling item is the unamortized net actuarial loss. This loss is made up of the accumulated difference between the actual returns and obligations of the Plan and the expected returns and obligations of the Plan based upon the long-term actuarial assumptions.

The asset recorded on the balance sheet represents the surplus based on long-term actuarial assumptions. It does not represent cash or investments held by the Corporation outside of the Plan.

	2002	2001
Accrued benefit asset recorded on balance sheet of the Corporation	**$ 21**	$ 13
Less unamortized net actuarial loss not yet recorded	**(91)**	(12)
Less unamortized past service costs	**(1)**	–
Plus unamortized transitional asset resulting from the introduction of Section 3461*	**24**	28
Funded status – Plan (deficit) surplus	**$ (47)**	$ 29

**CICA Handbook Section 3461 – "employee future benefits"*

Applying the same long-term assumptions used to calculate the accrued benefit asset, the Corporation recorded non-cash pension income of $8 (2001 – $14). This amount was recorded as a reduction to the Corporation's operation, maintenance and administration expense. The following is a summary of the calculation of the pension income.

	2002	2001
SaskPower's share of the current service cost	**$ 5**	$ 5
Interest cost	**42**	41
Expected return on plan assets	**(50)**	(55)
Amortization of transitional asset	**(5)**	(5)
Pension income recorded on the statement of income of the Corporation	**$ (8)**	$ (14)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at September 30 are:

	2002	2001
Discount rate	**6.75%**	6.75%
Expected long-term rate of return on plan assets	**7.60%**	7.60%
Long-term rate of compensation increases	**4.00%**	4.00%
Remaining service life (years)	**6.31**	6.99
Long-term inflation rate	**3.00%**	3.00%
Assumptions for ad hoc increases	**50% of CPI**	50% of CPI

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by the CICA. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets.

The discount rate is based upon the spot yield for high-grade, long-term Canadian corporate bonds. The expected long-term rate of return on plan assets is based upon the asset mix of the Plan and expected returns for each asset class. The rate of return is calculated as follows:

Asset Class	Percentage of Asset Class	Expected Long-term Rate of Return
Bonds	45%	6.0%
Canadian equities	25%	9.0%
United States equities	10%	9.0%
International equities	20%	9.8%
Weighted average return		7.8%
Less investment expense		0.2%
		7.6%

Defined Contribution Pension Plan

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current services. These contributions are charged to income when made. The net expense for the defined contribution pension plan is as follows:

	2002	2001
Defined contribution pension plan	**$7**	$6

Other Benefit Plans

Other benefit plans include a defined benefit severance plan for all employees and the supplementary superannuation plan provided to management employees.

	2002	2001
Present value of accrued benefits	**$39**	$38
Accrued benefit liability	**21**	21
Benefits paid	**5**	5
Net expense	**7**	7

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 are:

	2002	2001
Discount rate	**6.75%**	6.75%
Long-term rate of compensation increases	**4.00%**	4.00%
Remaining service life (years)	**12.59**	12.59

17. Subsequent Event

On January 15, 2003, the Corporation, through the Saskatchewan Department of Finance, borrowed an additional $100 million of long-term debt. The debt was issued with an interest rate of 6.40% and a maturity date of September 5, 2031. The impact to the financial statements is:

Balance Sheet Impact	December 31, 2002	January 15, 2003	Change
Cash and short-term investments	$ 93	$ 202	$109
Accrued interest	49	51	2
Other liabilities	308	315	7
Long-term debt	$1,718	$1,818	$100

18. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Five-Year Operating Summary

	2002	2001	2000	1999	1998
Number of electric customers:					
Residential	**303,317**	301,165	300,250	297,072	295,686
Farm	**67,317**	67,551	67,821	68,096	68,291
Commercial	**52,500**	52,358	52,498	52,232	51,944
Oilfields	**11,026**	10,915	10,716	10,553	10,690
Key accounts	**72**	70	70	69	60
Reseller	**2**	2	2	2	2
	434,234	432,061	431,357	428,024	426,673
Saskatchewan electric sales (GW.h)					
Residential	**2,457**	2,386	2,344	2,317	2,266
Farm	**1,367**	1,386	1,305	1,293	1,242
Commercial	**3,461**	3,457	3,413	3,274	3,317
Oilfields	**1,728**	1,640	1,514	1,300	1,242
Key accounts	**5,722**	5,839	6,090	6,044	6,311
Reseller	**1,263**	1,246	1,240	1,195	1,191
	15,998	15,954	15,906	15,423	15,569
Export electric sales (GW.h)	**777**	945	1,143	802	618
	16,775	16,899	17,049	16,225	16,187
Net energy (GW.h)					
Coal	**11,670**	11,711	11,436	11,551	11,564
Gas	**989**	798	924	995	1,301
Hydro	**2,836**	2,391	3,046	3,660	3,650
Cypress wind	**4**	–	–	–	–
Import and other	**1,431**	2,127	1,995	1,484	1,535
Purchased power	**1,769**	1,691	1,691	146	–
	18,699	18,718	19,092	17,836	18,050
Losses and internal use	**(1,924)**	(1,819)	(2,043)	(1,611)	(1,863)
Total electric energy sold	**16,775**	16,899	17,049	16,225	16,187
Generating capacity (net MW)					
Coal	**1,653**	1,653	1,658	1,658	1,631
Gas	**539**	374	378	378	357
Hydro	**853**	853	853	853	847
Cypress wind	**6**	–	–	–	–
	3,051	2,880	2,889	2,889	2,835
Number of permanent full-time employees	**2,350**	2,286	2,192	2,120	2,030
Transmission lines (km)	**12,026**	12,290	12,388	12,335	12,215
Distribution lines (km)	**140,084**	139,460	138,859	138,321	137,786
	152,110	151,750	151,247	150,656	150,001
Average annual usage per residential customer (kW.h)	**8,100**	7,423	7,807	7,799	7,664
Annual peak load (net MW)	**2,800**	2,691	2,822	2,709	2,800
Minimum load (net MW)	**1,413**	1,456	1,379	1,260	1,294
Summer peak load (net MW)	**2,569**	2,515	2,440	2,461	2,508

Five-Year Financial Summary

(in millions)

	2002	2001	2000	1999	1998
Net income:					
Revenue					
Saskatchewan	**$1,058**	$ 994	$ 952	$ 915	$ 919
Export	**43**	109	128	42	21
Other	**23**	23	21	20	18
	1,124	1,126	1,101	977	958
Expense					
Fuel and purchased power	**366**	468	384	251	235
Operating, maintenance and administration	**286**	254	264	281	238
Depreciation	**177**	168	165	152	153
Taxes	**27**	26	24	24	23
Finance charges	**141**	181	156	95	215
	997	1,097	993	803	864
Net income	**$ 127**	$ 29	$ 108	$ 174	$ 94
Property, plant and equipment:					
Property, plant and equipment	**$5,163**	$4,841	$4,680	$4,540	$4,390
Less: accumulated depreciation	**2,193**	2,040	1,898	1,758	1,632
	2,970	2,801	2,782	2,782	2,758
Construction in progress	**215**	268	97	47	36
	$3,185	$3,069	$2,879	$2,829	$2,794
Capital expenditures	**$ 305**	$ 364	$ 210	$ 185	$ 137
Debt at December 31:					
Recourse debt	**$1,910**	$1,918	$1,661	$1,680	$1,864
Non-recourse debt	**97**	91	–	–	–
Total debt	**2,007**	2,009	1,661	1,680	1,864
Sinking funds	**(121)**	(98)	(77)	(137)	(228)
Long-term debt, net of sinking funds	**1,886**	1,911	1,584	1,543	1,636
Current portion of long-term debt	**(168)**	(15)	(10)	(64)	(69)
Long-term debt	**$1,718**	$1,896	$1,574	$1,479	$1,567
Total equity	**$1,185**	$1,140	$1,127	$1,088	$ 977
Cash flows:					
Cash provided by operating activities	**$ 262**	$ 245	$ 266	$ 265	$ 283
Cash used in investing activities	**(290)**	(361)	(200)	(173)	(124)
Cash (used in) provided by financing activities	**(82)**	251	(43)	(71)	(214)
(Decrease) increase in cash position	**$ (110)**	$ 135	$ 23	$ 21	$ (55)

Corporate Governance

Overview

The process and structure used to direct and manage the business and affairs of the Corporation, with the objective of enhancing shareholder value, is commonly referred to as Corporate Governance.

Beginning in 2000, the SaskPower Board of Directors (the Board) undertook a proactive approach to improving Corporate Governance. A Governance Committee was struck to lead that initiative. Formal Terms of Reference for the Board and individual committees were developed and approved.

There have been further advances made on an annual basis. Terms of Reference for the Board and committees have been revisited. A Board, Chair and CEO evaluation process was put in place to better monitor organizational effectiveness. In 2002 the results of the first Board member peer review were compiled and distributed. This evaluation highlighted Board member familiarity and contribution toward risk assessment and management, Board roles and responsibilities, Board organization and governance, strategic planning and information management.

Building on these improvements, the Governance Committee of the Board has directed that a comprehensive review and streamlining of corporate approval processes and authorizations be undertaken to ensure significant risks are appropriately managed and that the roles and responsibilities of the Board and management are clearly understood. It is expected that the work of this streamlining effort will be completed in 2003.

Authority

SaskPower is governed by *The Power Corporation Act* and is subject to the provisions of *The Crown Corporations Act*, 1993, which gives the Crown Investments Corporation of Saskatchewan (CIC), the holding company for Saskatchewan's commercial Crown corporations, the broad authority to set the direction of the Corporation.

Where required by legislative or policy directive, SaskPower submits performance management and investment decisions for review and approval by CIC and the Provincial Cabinet. Through its Chair, who is an outside director, the SaskPower Board of Directors is accountable to the Minister of CIC. The Minister functions as a link between the Corporation and Cabinet, as well as the Provincial Legislature.

Role of Board of Directors

SaskPower's Board of Directors is responsible for setting direction, monitoring and reporting achievement, and analyzing, evaluating and taking corrective action for the Corporation. The Board is responsible for the stewardship of the Corporation in general terms. In meeting this responsibility, the Board works with management to develop and approve the Corporation's strategic plan, operating goals, annual budget and business plans. It participates in identifying business risk and overseeing the implementation of appropriate systems to achieve a balance between the risks incurred and potential returns. The Board met ten (10) times during fiscal 2002.

Board Composition

SaskPower's Board of Directors is appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Act*. The Board consists of nine (9) external directors; two (2) directors appointed as representatives of the IBEW and CEP unions and not related to the management of the Corporation; and the President/CEO of the Corporation. Both the Chair and Vice-Chair of the Board are external directors.

Committees

The Board has four (4) standing committees to assist in discharging specific areas of Board responsibility:

- Audit and Finance Committee
- Governance Committee
- Environment, Occupational Health and Safety Committee
- Human Resources/Compensation Committee

The Board has also established two (2) ad hoc committees to assist in its work:

- The Corporate Process Improvement Committee
- Ad hoc Committee – Strategic Planning

Audit and Finance Committee – Chair, V. Lynne Pearson

The Audit and Finance Committee Terms of Reference mandate the committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The committee oversees the risk management reporting of the Corporation and directly interacts with both the internal and external auditors. The committee ensures that the Board is provided with financial plans, proposals and information that are consistent with the Corporation's overall strategic plan and public policy objectives. The committee met ten (10) times in 2002.

Governance Committee – Chair, Patricia Quaroni

The Governance Committee is responsible for the development, review and effectiveness of SaskPower's Corporate Governance practices. Its duties include monitoring and evaluating Board and individual director performance and the effectiveness of the Board committee structure. The committee met four (4) times in 2002.

Environment, Occupational Health and Safety Committee – Chair, Keith Rissling

The Environment, Occupational Health and Safety Committee is charged with ensuring that the Corporation proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements. The committee held three (3) meetings in the fiscal year.

Human Resources/Compensation Committee – Chair, Mel Watson

The Human Resources/Compensation Committee is charged with overseeing SaskPower's human resource strategies, programs and practices. The committee met five (5) times in the year.

Ad hoc Committees

The Board also relies on the work of two committees which were struck on an ad hoc basis to assist in its work. The Corporate Process Improvement Program was created in 2001 to position the Corporation to fully realize the benefits resulting from the implementation of the Delta Project and the SAP Integrated System. The **Corporate Process Improvement Committee**, consisting of members of the Board working with senior management, reviews and monitors the activities of the program.

The focus of the program in 2002 continued to be on supporting the business units and realizing benefits. The critical component of this was the reporting of benefits in the annual business plan and budget.

During the year, the Provincial Auditor reviewed SaskPower's process to measure and report on benefit realization. The review resulted in several recommendations that the Corporation has committed to address, as well as positive comments regarding progress the Corporation has made in this area.

A second committee created by the Board to assist in its work was the **Ad hoc Committee – Strategic Planning**. This committee has been structured to direct management on Board expectations for the strategic planning process, with a focus on making improvements to long-term planning at SaskPower. This committee met on three (3) occasions in 2002 in addition to a two-day Board planning retreat held in June of 2002.

Governance Practices

Since 2000, SaskPower has worked to benchmark its governance practices with industry-best practice and to position it to be consistent with guidelines set forth by the Board of Governors of the Toronto Stock Exchange (TSX). These guidelines address key areas of effective corporate practice, including identification of responsibility for stewardship of the Corporation and a clear communication of roles and responsibility as between Board and management. The following scorecard sets out SaskPower governance practice benchmarked against the TSX guidelines.

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for:		
(a) The adoption of a strategic planning process.	The Board's Terms of Reference set out its responsibility to serve as steward of the Corporation. One of the central duties of the Board is working with senior management to approve its strategic plan, operating goals and budget and business plans.	Yes
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks.	The Board, in conjunction with senior management, identifies principal risks and oversees the implementation and effectiveness of risk management programs, and systems for managing areas of risk.	Yes
(c) Succession planning, including appointing, training and monitoring senior management.	The Human Resources/Compensation Committee of the Board actively monitors the Succession Planning initiative undertaken by the Corporation and coordinates the annual evaluation of the CEO, as well as monitors performance of senior management more generally.	Yes
(d) A communications policy for the Corporation.	Guidelines and policies have been implemented for a variety of communications activities. In addition, the Corporation is committed to the values of open communication and transparency in its communications with its shareholder, employees, stakeholders and the public.	Yes
(e) The integrity of the Corporation's internal control and management information systems.	The Audit and Finance Committee is responsible for the oversight of financial reporting brought forward by management as well as the internal controls and accountability of the Corporation. The committee regularly reviews the integrity of financial information and risk management reporting systems. The committee interacts with internal and external auditors in fulfilling this responsibility.	Yes

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
2. (a) The Board should be constituted with a majority of individuals who qualify as "unrelated" directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding.	There are twelve (12) members on the SaskPower Board. The three internal directors are: **John Wright**, President/CEO; **Larry Braun**, President, CEP Local 649; and **Neil Collins**, President, IBEW Local 2067. The other nine (9) members are external unrelated directors. The unrelated directors are as follows: **David Barnard**, Chair of the Board, President of the University of Regina; **Patricia Quaroni**, Vice-Chair of the Board, Lawyer and Partner with Olive Waller Zinkhan & Waller law firm; **V. Lynne Pearson**, Dean of Commerce, University of Saskatchewan; **Marty Klyne**, independent business person; **Mel Watson**, owner of Watson Tractor; **Al Macatavish**, retired Vice President of Manitoba Hydro; **Keith Rissling**, chartered accountant and independent business person; **Deb Schmidt**, business consultant; **Janet Wightman**, Executive Vice-President and Chief Operating Officer, Farm Credit Canada.	Yes
(b) The Board should disclose if the Corporation has a "significant shareholder" and how the Board reflects the interests of shareholders other than the significant shareholder.	SaskPower is a Crown corporation and does not have share capital.	N/A
3. The Board should disclose whether the Board has a majority of unrelated directors with an analysis of how this conclusion was reached.	Nine (9) of the twelve (12) directors are external and unrelated to management. None of the unrelated directors have received remuneration from the Corporation in excess of fees and compensation as directors and committee members of the Corporation and subsidiaries, nor have they engaged in material contracts to perform other services for the Corporation. Associates of one director have done work for the Corporation. Individual directors affected, however, had no involvement with or influence over the corporate decision to select their associates.	Yes

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
4. The Board should appoint a committee of directors composed exclusively of outside (i.e. non-management) directors, a majority of whom are unrelated, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	Responsibility for proposing new Board nominees and assessing the effectiveness of the Board of Directors is mandated to the Governance Committee. The majority of members of the Governance Committee are outside directors. The sole employee of SaskPower on the committee, Neil Collins, is a union nominee to the Board.	Yes
5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	The Governance Committee has the responsibility for ensuring the effectiveness of Board decision-making processes. The Governance Committee coordinates a review of the committee structure of the Board, as well as the effectiveness of the Board and individual directors. The latter process is facilitated by an outside consultant who summarizes results of the evaluation for distribution to Board members, as well as CIC.	Yes
6. The Board should provide an orientation and education program for new directors.	SaskPower provides an orientation program to new directors, as well as ongoing training opportunities highlighting particularly industry-related issues and developments for all Board members. New Board members are provided with extensive orientation materials and a training program facilitated by CIC.	Yes
7. The Board should examine its size with a view to facilitate more effective decision-making.	The Governance Committee of the Board is charged with the responsibility for reviewing the size of the Board as well as composition and effectiveness of various committees with a view to ensuring effective decision-making processes are in place.	Yes
8. The Board should review the adequacy and form of the compensation of directors to ensure the responsibilities and risks involved in being an effective director are reflected.	SaskPower's holding company, the Crown Investments Corporation of Saskatchewan, is legally mandated to set the remuneration rate for director fees and reimbursement of director expenses. The Governance Committee of the Board has included director remuneration in its Terms of Reference. In addition, it has reviewed the CIC policy on director remuneration.	Yes
9. Board committees should generally be composed of outside (i.e. non-management) directors, a majority of whom are unrelated.	Most committees of the SaskPower Board are composed of a majority of directors who are outside directors and unrelated to the management of the Corporation. The President/CEO does not sit on any	Yes

TSX Corporate Governance Committee's Guidelines	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
	Board committees. The only committee where there is an equal number of outside and inside directors is the Environment, Occupational Health and Safety Committee where both union representatives are active members.	
10. The Board should appoint a committee responsible for developing the Corporation's approach to governance issues and these guidelines.	The Governance Committee of the Board is responsible for developing the Corporation's approach to governance issues and reviewing effectiveness of guidelines and processes.	Yes
11. (a) The Board should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.	The Board of Directors has established its own Terms of Reference, as well as position descriptions for individual Board members. A CEO position description has been previously approved by the Chair of the Board and will be formally submitted for review by the Governance Committee and the Board in 2003.	Yes To be finalized in 2003
(b) The Board should develop the corporate objectives which the CEO is responsible for meeting.	On an annual basis the Board of Directors provides the President/CEO with a mandate itemizing its expectations with respect to the Corporate objectives which will be met over the following year. The President/CEO is evaluated against these expectations. The Review is coordinated by the Human Resources Committee of the Board.	Yes
12. The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.	The independence of the Board is ensured through the coordination of Board matters by the Chair, who is an outside and unrelated director. At each meeting of the Board of Directors, an in-camera session is held where the President/CEO, as well as senior management staff, are excused.	Yes
13. The audit committee of the Board should be composed only of outside directors and its roles and responsibilities should be specifically defined.	The Audit and Finance Committee of the Board is wholly composed of outside directors who are not related to the Corporation. The Committee has a Terms of Reference which sets out its roles and responsibilities specifically.	Yes
14. The Board should implement a system which enables individual directors to engage outside advisers at the expense of the Corporation in appropriate circumstances.	Subject to the written approval of the Chair, an individual director or Board Committee may engage outside advisors at the expense of the Corporation in the event there are matters in respect of which they require independent counsel.	Yes

2002 SaskPower Board of Directors (at December 31, 2002)

David T. Barnard
Chair of the Board
President
University of Regina
Regina, Saskatchewan

Larry Braun
President
CEP Local 649
Saskatoon, Saskatchewan

Neil Collins
President
IBEW Local 2067
Estevan, Saskatchewan

Marty Klyne
Independent
Business Person
Regina, Saskatchewan

Al Macatavish
Retired Vice-President
Manitoba Hydro
Winnipeg, Manitoba

V. Lynne Pearson
Dean, College
of Commerce
University of
Saskatchewan
Saskatoon, Saskatchewan

Patricia Quaroni
Commercial Lawyer
and Partner
Olive Waller Zinkhan
& Waller
Regina, Saskatchewan

Keith A. Rissling
Chartered Accountant
Owner and Manager
K.A. Rissling & Associates
Grasswood, Saskatchewan

Deb Schmidt
Business Consultant
Yorkton, Saskatchewan

Mel Watson
Owner
Watson Tractor
Regina, Saskatchewan

Janet Wightman
Executive
Vice-President and
Chief Operating Officer
Farm Credit Canada
Regina, Saskatchewan

John Wright
President and
Chief Executive Officer
SaskPower
Regina, Saskatchewan

Neil Henneberg
Corporate Secretary
Crown Investments
Corporation of
Saskatchewan
Regina, Saskatchewan

Committees of the Board of Directors (at December 31, 2002)

Standing Committees:

Audit and Finance Committee
V. Lynne Pearson, Chair
Marty Klyne
Al Macatavish
Keith Rissling
Janet Wightman

Governance Committee
Patricia Quaroni, Chair
Neil Collins
Marty Klyne
Deb Schmidt

Environment, Occupational Health and Safety Committee
Keith Rissling, Chair
Larry Braun
Neil Collins
Mel Watson

Human Resources/ Compensation Committee
Mel Watson, Chair
David Barnard
Patricia Quaroni
Deb Schmidt

Ad hoc Committees:

Corporate Process Improvement Committee
David Barnard, Chair
Al Macatavish
Janet Wightman

Strategic Planning Committee
Keith Rissling, Chair
Al Macatavish
Janet Wightman

Biomass
Energy resources derived from organic matter. These include wood, agricultural waste and other living-cell material that may be burned to produce heat energy.

Capacity
The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Circuit
A power line or cable through which electric energy flows.

Circuit Kilometres
The sum of the number of circuits times the length of the power line.

Carbon Dioxide (CO_2)
One of the greenhouse gases believed to be a cause of global warming. Carbon dioxide is produced in fossil fuel-based electricity generation.

Carbon Dioxide Offsets
Initiatives designed to reduce net carbon dioxide from the burning of fossil fuels. Offsets are carried out independently of the source emissions.

Carbon Sequestration
The process by which carbon dioxide is actively removed from the atmosphere and stored in plant materials through photosynthesis.

Climate Change
Climate change refers to any change in climate over time, whether due to natural variability or as a result of human activity.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Demand
The rate at which electric energy is delivered at a given instant or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distributed Generation
The process of producing electrical power on a small scale at a customer's site.

Distribution
Process of moving electric energy at lower voltages from major substations to customers.

Eco-Logo Certified
The official symbol of certification for the Environmental Choice Program, owned by Environment Canada and administered by an independent third party.

Electrostatic Precipitator
A device for removing particulates of ash, dust, smoke and other elements from air and gas flows.

Flare Gas
A by-product from the process of extracting solution gas from oil. When it is flared into the atmosphere, the energy is wasted.

Flyash
Fine residue resulting from the combustion of pulverized coal used in many coal-fired generating stations.

Fossil Fuel-based Generation
Includes coal and natural-gas-fired generation of electricity.

Gigawatt Hour (GW.h)
A unit of bulk energy; 1,000,000 kilowatt hours.

Greenhouse Gases
Naturally occurring gases such as carbon dioxide, methane and nitrous oxide that trap heat in the earth's lower atmosphere.

ISO 14001
The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardization.

Kilovolt (kV)
A unit of pressure, or push, of an electric current; 1,000 volts.

Kilowatt (kW)
A unit of bulk power; 1,000 watts.

Kilowatt Hour (kW.h)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Kyoto Protocol
An international agreement to reduce greenhouse gas emissions, ratified by the federal government in 2002.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MW.h)
A unit of bulk energy; 1,000 kilowatt hours.

Particulates
Emissions of ash particles from the burning of fossil fuels.

Peak Load Demand or Peak Energy Demand
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Rate Rebalancing
A process bringing the electrical rates charged to different customer categories closer to the cost of service.

Renewable Energy
Renewable energy systems use resources that are constantly replaced and are usually less polluting, through natural processes or sustainable management practices. Examples of renewable energy systems include solar, wind and biomass/biogas.

SAP
Stands for Systems, Applications and Products in Data Processing. A software solution that supports integrated business processes.

Seasonal Gross Peak
The maximum power demand supplied from all sources of energy on the system, as measured over a winter season – October 1 to March 1.

Substation
A distribution centre principally used for stepping up or down the voltage or supply of power.

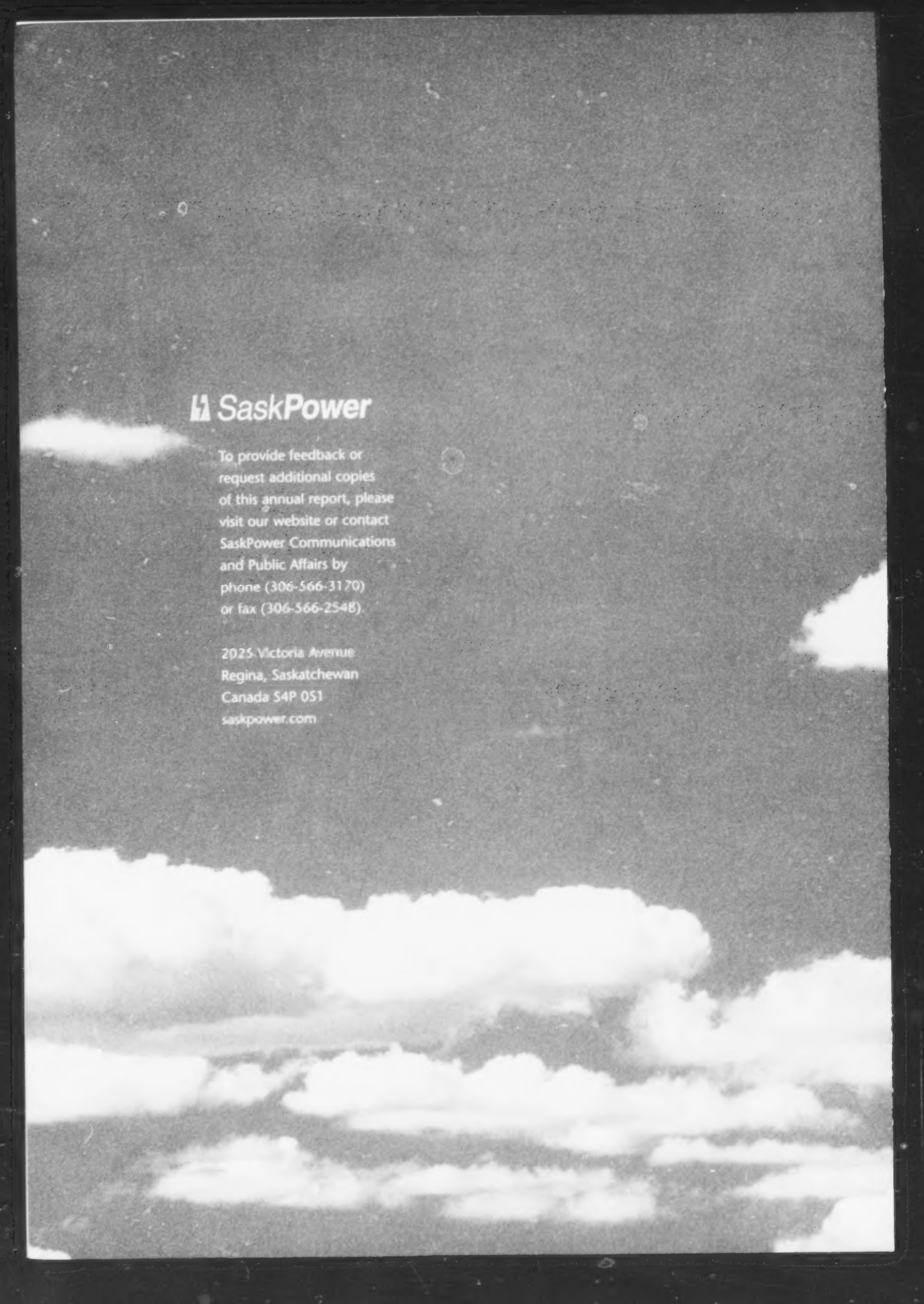
Transformer
A device that raises or lowers voltages.

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Many thanks to the following contributing whirligig artisans:

Heather Cline
Michael Hosaluk
Jim Jensen
Galen Kennel
Arthur Perlett
Les Potter
Daryl Richardson

Special thanks to Donna Potter and the Saskatchewan Craft Council for their assistance.



SaskPower

To provide feedback or request additional copies of this annual report, please visit our website or contact SaskPower Communications and Public Affairs by phone (306-566-3170) or fax (306-566-2548).

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